**A little harder**
*Russian privatisation revives the rouble*
Page 2

**Job creation**
*Does the US model still work?*
Pages 4 and 11

**United Nations**
*It IS broken, so fix it*
Page 10

**The polluted Po**
*Italy pays for pigs and Parmesan cheese*
Page 8


# FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY JULY 21 1993 — D8523A


## Fed sees interest rates as guide to monetary policy

The US Federal Reserve is putting increased emphasis on real interest rates as a guide to monetary policy, Alan Greenspan, the Federal Reserve chairman, said in a generally upbeat assessment of US economic trends.

He warned Congress, however, that financial markets were likely to push up long-term rates if budget negotiations this month failed to achieve the Clinton administration's goal of $500bn in deficit reduction over the next five years. Page 12

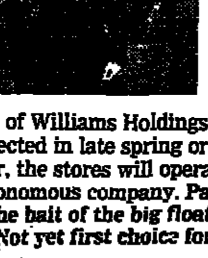
**OECD fear over training:** Countries with the highest levels of job mobility are generally failing to provide adequate training, according to the OECD's annual report on employment. Page 12; OECD reports, Page 4; No easy answers to job questions, Page 11

**Profits boost for Citicorp:** A sharp drop in write-offs on property and commercial loans and a fall in loan-loss provisions fuelled a profits recovery at Citicorp, the US's largest banking group. Page 13

**Riot police go in:** The South Korean government sent in riot police to enforce an order that workers at Hyundai Motor, the country's biggest industrial conglomerate, suspend their 46-day-old industrial action immediately. Page 4

**Japanese spending down:** Household spending in Japan fell 1.8 per cent in May from a year earlier, the first decline in three months and a sign of the weakening consumer confidence that threatens to delay a recovery expected this year. Page 4; Japanese PM set to quit, Page 4

**Fayeds to float House of Fraser**



The Fayed brothers announced plans for the £500m ($749m) flotation of the House of Fraser department store chain next year – excluding the Harrods flagship store. Ali Fayed stepped down as chairman of the UK stores chain, and will be replaced by Brian McGowan (left), chief executive of Williams Holdings. Until the flotation, expected in late spring or early summer next year, the stores will operate as an independent, autonomous company. Page 13; McGowan rises to the bait of the big float, Page 13; Lex, Page 12; Not yet first choice for fashion, Page 19

**New Zealand Rail:** A US-New Zealand consortium has paid NZ$328m (US$179m) for New Zealand Rail. It plans eventually to float some of the company on the local stock market. Page 16

**SmithKline Beecham,** Anglo-US healthcare group, reported an 18 per cent rise in pre-tax profits for the three months to June 30 to £294m ($440m). Page 13; Lex, Page 12

**Blows to sell-off plans:** The Russian parliament delivered a double blow to the government's privatisation programme, by suspending a presidential decree which is central to the process and annulling a parliamentary law on the sale of state companies. Page 12; Climate of reform brings rouble back from the dead, Page 2

**Take-over decision attacked:** The UK's ability to stop anti-competitive airline mergers was damaged by the government allowing British Airways to take over its rival Dan-Air last year, Christopher Chataway, chairman of the Civil Aviation Authority, said. Page 5; UK seeks bigger US airline stakes, Page 3; British Airways sets up first private credit union, Page 6

**Warning to speculators:** Speculators against the franc should remember France still has a competitive edge over its partners in the European monetary system, Jacques de Larosière, the Bank of France governor, said. Page 2

**Delors wins agreement:** An intervention by Jacques Delors secured a deal on the 1994-99 structural funds budget for the EC's poorest regions early yesterday morning. Page 2

**Blockade ends:** Strikers at Sabena, Belgium's national carrier, lifted a blockade of Brussels international airport after causing tailbacks on roads into the airport and delaying flights.

**Drug traffickers freed:** Two young British women convicted of heroin trafficking in Thailand three years ago have been granted royal pardons, in response to an appeal from the British embassy in Bangkok. Karyn Smith, 21, and Patricia Cahill, aged 20, had been sentenced to 25 years in jail and 18 years and nine months respectively.

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100: | 2823.9 | (-19.0) |
| Yield | 4.05 | |
| FT-SE Eurotrack 100 | 1224.85 | (-10.58) |
| FT-A All-Share | 1401.27 | (-0.5%) |
| Nikkei | 20,038.00 | (-112.92) |
| New York lunchtime | | |
| Dow Jones Ind Ave | 3545.06 | (+9.78) |
| S&P Composite | 447.20 | (+1.17) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds: | 3 1/16% |
| 3-mo Treas Bills: Yld | 3.116% |
| Long Bond | 107 1/2 |
| Yield | 6.545% |

**LONDON MONEY**

| | | |
|---|---|---|
| 3-mo Interbank | 6 1/16% | (same) |
| Liffe long gilt future: | Sep 108 11/32 | (same) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (Sep) | $16.6 | (16.71) |

**Gold**

| | | |
|---|---|---|
| New York Comex (Aug) | $392.2 | (392.4) |
| London | $392.0 | (395.0) |

**STERLING**

| | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.503 | |
| London: | | |
| $ | 1.5015 | (1.4985) |
| DM | 2.565 | (2.555) |
| FFr | 8.765 | (8.705) |
| SFr | 2.2575 | (2.245) |
| Y | 162.75 | (162.5) |
| £ Index | 81.6 | (81.3) |

**DOLLAR**

| | | |
|---|---|---|
| New York lunchtime: | | |
| DM | 1.7065 | |
| FFr | 5.82675 | |
| SFr | 1.504 | |
| Y | 108.35 | |
| London: | | |
| DM | 1.709 | (1.7055) |
| FFr | 5.8375 | (5.81) |
| SFr | 1.504 | (1.498) |
| Y | 108.3 | (108.45) |
| $ Index | 66.0 | (65.9) |

Tokyo close Y 108.43

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch30 | Germany | DM3.30 | Malta | Lm0.60 | S.Arabia | SR11 |
| Bahrain | Din1.250 | Greece | Dr300 | Morocco | MDh13 | Singapore | S$4.10 |
| Belgium | BFr60 | Hungary | Ft172 | Neth | Fl 3.75 | Slovak Rp | KSL45 |
| Bulgaria | Lw25.00 | Iceland | IKr215 | Nigeria | Naira45 | Slovenia | SLT220 |
| Croatia | HRD5700 | India | Rs40 | Norway | NKr16.00 | South Africa | R12.00 |
| Cyprus | C£1.00 | Israel | Shk5.90 | Oman | OR1.50 | Spain | Pta210 |
| Czech Rp | Kcs45 | Italy | L2700 | Pakistan | Rs35 | Sweden | SKr15 |
| Denmark | DKr15 | Jordan | JD1.50 | Philippines | Pso45 | Switz | SFr3.20 |
| Egypt | E£4.50 | Kuwait | Fils.600 | Poland | Zl 22,000 | Syria | S£50.00 |
| Finland | FM12 | Lebanon | US$1.25 | Portugal | Es215 | Tunisia | Din1.250 |
| France | FFr9.00 | Lux | LFr60 | Qatar | QR12.00 | Turkey | L6000 |
| | | | | | | UAE | Dh11.00 |

## Former Eni chairman Cagliari found dead in jail

By Robert Graham in Rome

MR GABRIELE CAGLIARI, the former chairman of Eni, Italy's state oil concern, was found dead in a Milan jail after magistrates refused to release him from charges of corruption and illicit financing of political parties.

Mr Paolo Liguori, a close friend of the family and editor of Il Giorno, the daily newspaper owned by Eni, said Mr Cagliari, aged 67, had committed suicide after 133 days in prison. He had been found alone in his cell with a plastic bag tied round his head with a shoelace. He died of a heart attack in the prison hospital after resuscitation failed.

Mr Francesco Saverio Borelli, the Milan attorney-general, said the former Eni chairman had left behind several letters from which "there emerges a precise intent to commit suicide and thus on the nature of his death there should be no doubt".

If death by suicide is confirmed by autopsy, it would be the ninth since magistrates began investigating corruption in 1992.

Mr Cagliari's death sent shock waves through the political establishment. It immediately stoked a debate, initiated on July 8 by President Oscar Luigi Scalfaro, on the abuses of the system of preventive detention. Milan magistrates in particular have used preventive detention as a means of extracting confessions.

Mr Cagliari was arrested in March for alleged corruption concerning the payment of bribes on a power station contract won by an Eni subsidiary. However, it soon became clear the magistrates wished to question him about his period as chairman of Eni since 1989, convinced that the state oil concern was a significant source of illicit funding for political parties.

He was refused bail on five occasions, the most recent three days ago, even though he had admitted knowing about bribes being paid at Eni. According Mr Vittorio D'Aiello, his lawyer, he still refused to incriminate friends and colleagues.

Mr Cagliari, a distinguished engineer, had extensive international experience in the oil and chemicals industries. Although a political appointment of Mr Bettino Craxi, when he was Socialist leader, he had had a long career in Eni. When Eni became a public company last August, he was forced to the sidelines as titular head.

The magistrates were reported still to be pressing him for details on the reorganisation of the chemicals industry and the purchase by Eni of Montedison's stake in their joint venture, Enimont. Alleged kickbacks and illicit share deals in the 1989-90 Enimont affair are also central to the interrogation of Mr Giuseppe Garofano, the former Ferruzzi-Montedison chief executive, who was extradited from Switzerland last week.


Background, Page 2
Editorial Comment, Page 11


## Court rules against VW in battle with GM

By Christopher Parkes in Frankfurt

PAGE 2
- Legal reverse for VW
- Setback in German car output

PAGE 4
- Riot police sent to end Hyundai dispute

PAGE 5
- GM settles truck lawsuits

VOLKSWAGEN lost more ground in its legal battle with General Motors of the US when a Hamburg court yesterday permitted publication of further detailed allegations of industrial espionage by senior executives at the German motor group.

Der Spiegel, the German news magazine, claimed that the partial lifting of a temporary injunction, imposed on it last month, upheld its claims that Mr José Ignacio Lopez de Arriortúa, now production and procurement director at VW, had "not adhered strictly to the truth" over events surrounding his departure as a GM director earlier this year.

Adam Opel, GM's German subsidiary, claimed in a statement: "VW has lost in all the important points involving betrayal of secrets and industrial espionage."

Volkswagen shares, which fell last Friday after the oral hearing, dropped another DM6.8 to DM351 yesterday, although the ruling had not been made by the time the market closed. Traders said the fall was due to American selling by people speculating on the court's findings.

Although GM was not directly involved in the civil action, which was heard last Thursday and ruled on yesterday, the allegations published in the magazine lie at the heart of a current criminal investigation being undertaken by state prosecutors in the light of the US group's accusations.

VW admitted yesterday that the court had "extensively" accepted the magazine's claimed right to report suspicions. But it quoted a statement last week from Mr Harald Ficus, the presiding judge, who told the open hearing that the court would not make any decisions on the truth or untruth of the suspicions.

The court removed the gag preventing reporting of 11 mostly highly contentious issues. These include the claim central to GM's charges, reported by Der Spiegel, relating to the alleged removal by Mr Lopez and several former GM colleagues who followed him to VW of boxes of confidential GM price lists, secret construction plans and car model studies.

VW responded to the court's findings by pointing out that the magazine remained gagged on several. These include relatively minor claims that a group of Mr Lopez's former GM associates followed him to VW like hourly-paid workers, without giving notice, and speculation about an alleged "secret" between Mr Lopez and Mr Ferdinand Piëch, the German group's chairman.

The magazine was freed from reporting restrictions on claims,


Continued on Page 12


US president Bill Clinton (right) with Louis Freeh, the New York judge appointed director of the Federal Bureau of Investigation — Reuters — Page 5

Former finance minister Balcerowicz is only east European to emerge

## Pole nominated for top EBRD job

By Our Financial and Foreign Staff

MR Leszek Balcerowicz, the former Polish finance minister, was yesterday nominated to succeed Mr Jacques Attali as president of the European Bank for Reconstruction and Development, the only east European candidate to emerge for the post.

Mr Balcerowicz, who was responsible for leading the "shock therapy" transition to a market economy under the Mazowiecki government, was nominated by the Polish government in spite of strong signs that the post will go to a western candidate.

Nominations for the vacancy, created by Mr Attali's resignation last week, close today.

Mr Henning Christophersen, the EC economics commissioner, is thought to be the other of two candidates whose written nomination was received at the bank's London headquarters yesterday.

The French government, however, has notified Mrs Anne Wibble, the Swedish finance minister and chairman of the EBRD's board of governors, of the candidacy of Mr Jacques de Larosière, governor of the Bank of France. Mr de Larosière is regarded as the leading contender.

The French government claims wide international support for Mr de Larosière's candidacy, although the prime target of its lobbying has been fellow EC countries.

France has claimed a moral right to field the successor to Mr Attali, following its 1990 arrangement with Britain that London would get the bank's site in return for France providing the EBRD's president.

Ms Hanna Gronkiewicz-Waltz, the Polish central bank chairman, submitted Mr Balcerowicz's nomination yesterday afternoon, pointing out in her letter that no candidate from eastern or central Europe had yet been considered.

Since he left the finance ministry in 1991 Mr Balcerowicz has stuck to academia, although he has advised the Ukrainian and Lithuanian governments on economic reform. He is a supporter of strict monetarist discipline.

Although he was praised by western governments for steering Poland through the most difficult part of its economic reforms after 1989, his candidacy faces difficulty in gaining widespread support from western governments.

But political sources in Warsaw yesterday pointed out that Ms Gronkiewicz-Waltz would not have gone ahead if the west had been united on a single candidate.

They also claimed there had been encouragement from the US and "World Bank circles".

Mr Christophersen's candidacy enjoys broad support among the Scandinavian and Mediterranean countries, but he has yet to receive clear support from Germany, according to EC officials in Brussels.


De Larosière spells out risks to speculators, Page 2


## Philip Morris extends cut in prices of branded cigarettes

By Martin Dickson in New York

PHILIP MORRIS yesterday made the 20 per cent cut in the US price of its Malboro cigarette brand permanent and extended it to the company's other premium brands, which include Virginia Slims and Benson & Hedges.

The company's price cut on April 2 shocked the US tobacco industry and became known as "Marlboro Friday". But yesterday's move confirms that the price of Marlboro, the best-selling cigarette in the US, had been seriously out of line with cheap, discount cigarettes before April.

The company said April's price cut had succeeded in reversing Marlboro's slide in market share. Yesterday's move, which does not affect markets outside the US, seems certain to force other manufacturers of premium brands to follow suit if they have not done so already.

Marlboro's market share, which bottomed out at less than 22 per cent in March after falling for eight consecutive months, had risen to 22.6 per cent in May, according to Nielsen, the market research company. Later data collected by Philip Morris suggested Marlboro's share of the market might rise to around 24 per cent in July.

The indications were that the price cut, "when fully implemented, is driving Marlboro's share up between two to four share points". Growth had been coming at the expense of both premium brands and discount cigarettes.

The discount sector, which consists of cheap, branded goods and unbranded generic cigarettes, has grown rapidly in recent years at the expense of premium brands and now accounts for some 40 per cent of the US market.

Philip Morris, which is also a big producer of discount cigarettes, said yesterday that it would push up the price of its discount brands by some 6 cents a pack, further narrowing the price gap between its cheaper products and premium ones, and simplify the sector's pricing structure.

The average retail price of a pack of discount cigarettes would rise from around $1.25 to $1.31, while its premium brands have moved down from around $2.20 to $1.70-$1.80.

The company's US tobacco profits have been damaged by the cuts. Philip Morris, which also makes food and drink products, yesterday announced second quarter group earnings of $1.1bn, down 22.2 per cent. Both the figures and its price cut had been expected on Wall Street and its shares rose $⅝ in morning trading to $48⅝.

The company said yesterday's price changes would not affect the forecast it made at the time of April's cut – that it expected operating earnings from its US tobacco business to be down by as much as 40 per cent this year.


Results, Page 13; Lex, Page 12




CONTENTS






No 32,119 Week No 29 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

## EC president forces compromise on regional funds

# Delors ends budget revolt

**By Lionel Barber in Brussels**

A DRAMATIC intervention by Mr Jacques Delors secured a deal on the 1994-99 structural funds budget for the EC's poorest regions early yesterday morning.

The European Commission president picked off member states one by one, putting down a revolt by ministers who feared they were about to lose their share of the Ecu141.5bn (£107bn) budget.

But the price of a 5.30 am victory was a fudging of the final sums which Brussels will deliver to member states, and some bruised feelings on the part of Mr Bruce Millan, commissioner for regional aid.

Last Thursday, Mr Millan told Mr Delors that the latter's promise of I£7.5bn (£7.1bn) to Ireland had undercut his negotiating position and triggered an avalanche of counter-claims from other member states.

Mr Delors, still suffering from severe sciatica, invited Mr Millan to hold further talks with member states in the margins of Monday's foreign affairs meeting in Brussels.

But on the day, Mr Millan refused to commit himself to firm numbers, provoking a revolt among member states who accused him of displaying a "Scottish accountant's mentality". Mr Millan's aides countered that some countries' bids were more than 20 per cent over budget.

The result was that seven member states joined Ireland in refusing to back the new rules for sharing out the structural funds. Summoned from his bed, Mr Delors savaged the junior ministers present for being anti-Community and threatened to expose their greed to assembled reporters.

Then, after a performance worthy of Tammany Hall's finest, Mr Delors and Mr Millan persuaded the rebels states to accept the new guidelines, including rough indications on what they could expect to receive from next January 1.

Under the deal, Ireland was assured it would receive I£7.8bn over seven years at 1993 prices, slightly less than the I£8bn which the Dublin government claimed it was promised at last December's EC summit in Edinburgh.

The UK received an assurance of around £2 billion with the main beneficiaries being the Highland and Islands, Merseyside and Northern Ireland. East Germany will also receive a significant boost from the structural funds, so too areas in eastern Europe such as the Czech republic where the former communist regime in Berlin had strong trade ties. This is a new development.

But the final deal was struck only because Mr Delors received support for his own numbers. In Brussels parlance, these are known as *fourchettes* or brackets which contain a range of figures and depend on a mixture of trust and fudge. Just how these are allocated will depend on a final decision by the Commission in September. EC officials in Brussels were still unsure whether all of Mr Delors promises matched or exceeded the sums agreed last December in Edinburgh.

# De Larosière spells out risks to speculators

**By David Buchan and John Ridding in Paris**

SPECULATORS against the franc should remember that France still has a collective competitive edge over its partners in the European monetary system, Mr Jacques de Larosière, the Bank of France governor, warned yesterday.

The devaluations and floating of several currencies within the EMS in the past year "have far from wiped out the gains made by France since 1986", he said. Since 1986 French unit wage costs had risen 11 per cent more slowly, and producer prices had increased 6 per cent less, than the average for other EMS countries, he claimed. The proof was that France's FFr16.2bn (£1.84bn) trade surplus in the first quarter of this year was triple that in the same period of 1992.

"The speculative attacks of recent days [against the franc] on the foreign exchange markets bear no relation to the evolution of our [economic] fundamentals," he told the national credit council, a consultative body to the central bank.

One positive economic indicator emerged yesterday with the release of official Insee statistics showing that industrial production rose in May by 0.2 per cent compared with April.

The modest increase, which ended a three-month downward trend was welcomed by the finance ministry, which forecast that the economy would move out of recession in the second half of the year. "Industrial activity has now stabilised. This result is encouraging," the ministry said.

But private economists said the slight rise in industrial production did not necessarily signal that the economy had turned the corner. They said that May's figures still represented a 3.4 per cent decline on the same period last year and that reduced exports and weak consumer spending remained an obstacle to recovery.

According to Insee, output by manufacturing industry increased by 0.3 per cent in May. This included an increase of 1 per cent in output from the motor sector, reflecting the launch of new models by Peugot, Renault and Citroen, the French carmakers.

Reuter

President François Mitterrand (left) and Chancellor Helmut Kohl met yesterday at Bad Schachen on Bodensee. They issued a statement promising to work toward a successful conclusion of the Uruguay Round of world trade talks but insisted it be "fair".

# Cagliari's death casts shadow over inquiry

**Robert Graham** reports on concern about the abuse of power in probe of corruption

THE DEATH in prison yesterday of Mr Gabriele Cagliari, former chairman of ENI, the Italian state oil concern, has brought to a head the long-simmering debate over the methods of magistrates investigating the natiowide corruption scandals.

Immediately at issue is the abusive use of the magistrates' powers of preventive detention that conflicts with the basic right of *habeas corpus*. The matter was raised by President Oscar Luigi Scalfaro in a controversial speech on July 8 when he expressed his doubts about the behaviour of magistrates: "There is no doubt that the use of prison to make talk someone under investigation is against the inviolable rights of man."

The bulk of the politicians and a few jurists immediately sided with the president. The press was largely neutral, and may well remain so now, aware the latest opinion poll shows the public is 57 per cent behind the judges on preventive detention, with 34 per cent against.

But Mr Cagliari's apparent suicide, the ninth since the corruption investigations began in February 1992, inevitably raises two broader questions: has the judiciary accumulated too much power?; and has it become too politicised in seeking to extirpate a corrupt political system?

The handling of this controversy will determine the future course of the corruption investigations and could well produce a constitutional tussle between the respective powers of the legislature and judiciary.

Parliament, where one in six members are under investigation, will do its best to exploit the occasion by trying to the shackle the magistrates' behaviour with more restrictive legislation. New legislation limiting the terms of preventive detention is already in the pipeline. The Milan magistrates, confident of public support, are unlikely to take lying down any challenge to their authority, or any suggestion that their investigations be tempered.

However, the Italian magistrature as a whole is not as combative as that of Milan, which has spearheaded the corruption investigations and has been using the most questionable methods.

The case of Mr Cagliari is an apparent suicide after being held in Milan's San Vittore jail for 133 days. Latterly the 67-year-old former ENI chairman shared a cell with three others, including a drug offender.

Magistrates can hold a person for up to three months. Thereafter the person has to be released unless due cause is shown by the magistrates. On five occasions, the last being only three days ago, Mr Cagliari was refused bail while magistrates investigated a string of charges relating to illicit financing of political parties when he ran ENI from 1989 onwards.

On each occasion, Milan magistrates justified the refusal on the grounds that their enquiries concerned large sums of money lodged abroad. If allowed to leave prison for house arrest, Mr Cagliari could prejudice matters, they said.

The Milan magistrates argued convincingly that ENI had emerged as the centre of the biggest single source of illicit financing of the political parties and their friends. Mr Cagliari said he had inherited a kick-backs system at ENI and admitted to at least L27bn (£11.3m) being passed with his knowledge to the Christian Democrats and Socialists.

Mr Cagliari was also being questioned about alleged corruption in the reorganisation of the chemicals industry through the disposal of Enimont. Magistrates claimed yesterday that Mr Cagliari had recently admitted to knowing of L10bn going to the political parties.

Yet despite Mr Cagliari being such a key figure, he appeared to be held in prison essentially as a means of pressure to make him talk.

Mr Vittorio D'Aiello, his lawyer, insisted this was the case and released the transcript of his last interrogation on July 15 in which he said: "I have been nearly 140 days in San Vittore prison and still have sought to maintain a certain reserve on some issues. At the same time I find it ethically and psychologically difficult to adopt a course of action which although it might help me would end up involving other people, perhaps colleagues and friends I have known for years."

Milan magistrates have adopted a clear carrot and stick approach with all those under investigation. The pressures are considerable – two people have died of heart attacks under investigation, including Mr Vincenzo Balzamo, the Socialist party treasurer.

The second main criticism of the magistrates is that they have used the *aviso di garanzia* – the judicial warning that a person is under investigation – as a means of discrediting people.

The *aviso* has come to be seen as an automatic indication of guilt, even though charges have not been pressed.

# German car production sinks lower in June

**By Christopher Parkes**

THE slight improvement in German car orders, detected during May, ground to a halt again last month, the VDA automobile industry association said yesterday.

June production of all vehicles, adjusted to allow for an extra working day this year, was 29 per cent lower than a year earlier at 344,000. Unadjusted output was down 25 per cent, the association said.

Despite last month's setback, the decline in the car industry appeared to have reached the bottom, it added, but conditions for commercial vehicle makers were continuing to deteriorate in a slump which has now entered its third year.

June's poor performance brought the cumulative decline in motor manufacturers' output to 25 per cent for the first half of this year. In absolute figures, car production has tumbled 625,000 to 1.975m.

Output of light trucks up to 6 tonnes fell 34 per cent or 37,000 units to 72,000 between January and June, while output of other commercial vehicles was down 36 per cent compared with the same period last year.

Most manufacturers have dealt with the slump by closing their works for at least one day a week for most of the year so far, while tackling the industry's structural problems with radical cost- and job-cutting programmes.

Meanwhile, the industry has been busy reducing heavy stocks of vehicles which accumulated when the forecast recovery in international markets failed to appear at the end of last year.

Inventories were further bloated by a sudden slump in domestic demand after the summer holiday period last year, when the post-unification sales boom ran out of steam.

The German trade enjoyed a brief surge late last year, inspired by buyers rushing to avoid the effects of a one percentage point increase in value added tax in January, before continuing its decline.

There are still no clear signs of overall improvement in Germany, where recession and fear of unemployment are still affecting demand, but there are some indications that foreign car markets may be coming off the bottom. Car exports, which account for around half the industry's output, were 19 per cent lower in June than in the same month last year, after being 25 per cent and 24 per cent lower in the two preceding months.

Overall, car sales abroad are 20 per cent down in the six months to the end of June.

The VDA, which in May reported a small improvement in car orders for the first time this year, said government plans to increase fuel taxes next January were hampering recovery.

At the start of the year most German manufacturers forecast a 20 per cent drop in domestic car sales for 1993 and a decline of around 10 per cent in Europe as a whole. New registrations in the European Community in the first half were down 19 per cent, according to the European motor manufacturers' association.

**German vehicle production and exports (Jan-June 1993)**

| | Production 1992 | Production 1993 | Exports 1992 | Exports 1993 |
|---|---|---|---|---|
| Cars | 2,600,091 | 1,974,600 | 1,318,685 | 1,053,000 |
| Commercial vehicles (up to 6 tonnes) | 108,985 | 72,000 | 52,788 | 38,700 |
| Other commercial vehicles | 78,055 | 49,600 | 33,447 | 23,900 |
| Total | 2,787,131 | 2,096,200 | 1,404,920 | 1,115,600 |

Source: VDA Automobile Industry Association

# Legal reverse for VW and Lopez

**Christopher Parkes** on the latest round of the secrets row

THE legal squeeze on the top management of Volkswagen was intensified yesterday as a Hamburg civil court loosened reporting restrictions imposed last month on Der Spiegel, Germany's leading news weekly.

The result will open up once again the public debate on claims by General Motors of the US and its German subsidiary, Adam Opel, that Mr José Ignacio Lopez de Arriortúa, a former GM director, and several of his associates who joined VW with him, took industrial secrets with them to the German group.

Meanwhile, speculation mounted that state prosecutors, investigating possible criminal charges in the light of GM's claims, will make a formal statement later this week.

After yesterday's ruling, which followed an open hearing last Thursday, the magazine can, for example, resume reporting on its earlier claims that Mr Lopez took boxes of industrial secrets with him when he quit GM for a directorship at VW in March.

It may also pursue its charges that Mr José Manuel Gutierrez, a close associate of Mr Lopez who followed his former GM chief to VW almost immediately, asked for and was given "strictly confidential" details of a new GM diesel engine.

The court, which imposed a gagging order at VW's request last month after the publication of two detailed articles, also lifted the injunction in regard to a claim that Mr Lopez had "reached an agreement" to join VW with Mr Ferdinand Piëch, at the start of this year.

In an affidavit presented in court last week, and signed by Mr Piëch, the VW chairman stated that Mr Lopez decided to move on March 9. The court also accepted testimony that Mr Lopez had in effect written a speech, intended to explain to GM employees why he had decided not to join VW, which was not in the event delivered.

After checking the final draft on the morning of March 15, he left the US for Germany.

Mr Lopez stated in an affidavit presented last Thursday that he did not write it, and that it had been written by "GM".

Mr Lopez and VW were represented at the hearing by a single lawyer while Der Spiegel had more than 20 witnesses, all GM employees, on hand to support its case, although only three were called.

All the claims on which the court loosened the gag yesterday have been firmly and consistently denied by VW and its executives, although as Mr Harald Ficus, the presiding judge, said last week, his court was not the place for deciding the truth or otherwise of the suspicions which were aired in Der Spiegel.

However, Volkswagen was obliged to bear most of the costs of the case.

In German courts apportionment of costs shows the extent to which the parties involved have gained or lost, according to legal experts.

On the single issue of Der Spiegel's reports on diesel engine secrets, Mr Gutierrez was made responsible for the whole DM100,000 ($58,139).

In another case, which concerned complaints made in the German group's name – including Mr Piëch's claims on the planning and timing of Mr Lopez's switch – VW was obliged to pay two-thirds of the DM500,000 costs.

# Climate of reform brings rouble back from the dead

**Chrystia Freeland** and **Edward Balls** report on Russia's currency revival

AFTER many months of steady devaluation, the Russian rouble is bouncing back.

Russia's currency has appreciated in value by 8 per cent over the past month. It now trades at Rbs1,010 to the dollar, up from its June 15 low of Rbs1,104.

The rouble's recent performance has become so robust that, after months of futile efforts to prop up the currency, Russia's central bank has been able to intervene heavily to build-up foreign exchange reserves and prevent the appreciation going too far.

Western experts, close to the Russian government, estimate that the central bank may have bought as much as $1bn (£600m) in the past month since the appreciation began, a third of which the bank has accumulated in the last week.

The rise in the rouble is evidence that the Russian government's efforts to stop the granting of central bank credit are working – and perceived to be working. "What we are seeing are the first effects of a step-by-step stabilisation programme," says Mr Charles Blitzer, the World Bank's chief economist in Moscow.

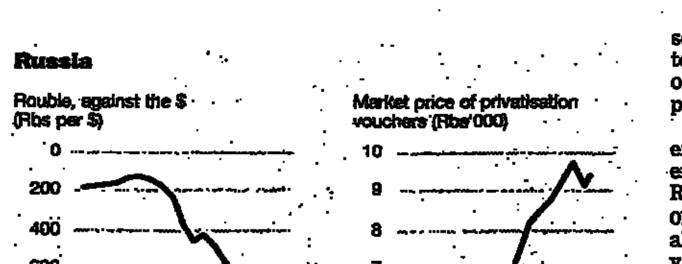
Mr Blitzer believes that the events of the last few months have created the perception that the Russian government is serious about reforms and boosted confidence in the Russian currency.

The surprise popular endorsement of President's Yeltsin's market reforms in the April referendum was followed in May by a credit agreement between the Russian government and the central bank. This agreement was subsequently approved by the International Monetary Fund and allowed the first tranche of the IMF's "Systemic Transformation Facility", worth $1.5bn (£1bn), to be disbursed in June.

However, only in the last month has the government begun to prove it will implement this tight credit policy. Mr Boris Fyodorov, minister of finance, has been able to outmanoeuvre advocates in parliament and some sections of the cabinet of heavy spending by refusing to disburse credits issued to his ministry.

The rouble's new-found strength has prompted Mr Fyodorov to make a public offer to wager Rbs50,000 (about the average monthly salary) against any taker who does not believe that the rouble will either maintain its current rate against the dollar or continue to rise.

Disgruntled Russian industrial bosses say Mr Fyodorov's refusal to release credits to them is one of the reasons why the finance minister might win his bet. Mr Valery Remizev, vice-president of Russia's gas monopoly, Gazprom, one of the country's principal exporters, complained yesterday that the tight-fisted policy of the ministry of finance is forcing his company to purchase roubles with its hard currency earnings in order to cover its wage and tax bills. The government estimates that Russian companies have up to $10bn stockpiled within the Russian banking system, backed by deposits in correspondent accounts abroad.




Source: Moscow International Currency Exchange, Russian Stock Exchange

A further incentive for Mr Remizev and other factory managers to buy roubles with their dollars is the rising cost of borrowing in Russia. Last week the central bank raised its discount lending rate to 170 per cent a year, double the level of a month ago. The increase in interest rates, and expectation that the tight credit policy will bring inflation down, are discouraging factories from borrowing to finance their working capital.

A third reason behind the appreciation is the massive sell-off of Russian state assets to the private sector. The pace of voucher privatisation is picking up.

Back in February, the government's privatisation vouchers, which have a face value of Rbs10,000, were trading for only Rbs3,700. They have since all but regained their face value, exceeding it on some exchanges.

Yet the rise in investor confidence that partly explains the current appreciation of the rouble could just as quickly vanish if the reform momentum falters and inflation does not come down from its current level of 17 per cent a month in June.

Mr Jeffrey Sachs, a Harvard economic professor and government adviser, is urging the Russian government and the IMF to take advantage of the current optimistic mood to negotiate a stand-by agreement before the end of the summer. Such an agreement could unlock the $6bn stabilisation fund, part of the aid package agreed by the group of seven industrialised countries, which would then allow the government to fix the exchange rate.

A senior G7 official said recently he believed the Russian government had taken the decisive steps needed to unlock the second $1.5bn tranche of the STF. He called for accelerated negotiations to agree a stand-by agreement before the autumn.

IMF officials will need to see evidence the Russian government has cut back on the subsidies to industry and agriculture. The government has taken bold step in the right direction, raising the price of natural gas sevenfold yesterday and freeing coal prices earlier this month.

But without still deeper cuts in these subsidies, stabilisation cannot work. Yet if these subsidies are cut, then industry will really scream. That, says Mr Blitzer, is when "the fiscal crunch will really start to bite. There has been serious progress, but I don't think the Russian economy has turned the corner yet."

## NEWS IN BRIEF

### Croat pressure mounts on Mostar

CROAT forces yesterday stepped up their drive to expel Moslems from Mostar, southwestern Bosnia, as Bosnia's collective presidency discussed whether to attend talks in Geneva set to sanction the republic's partition along ethnic lines, writes Laura Silber in Belgrade.

Mr Mirko Pejanovic, a Serbian member of the presidency, yesterday said the government wanted a "federal state" with "one foreign policy and internationally recognised borders". If the war continued, Bosnia should be proclaimed a United Nations protectorate.

Mr Radovan Karadzic, the Bosnian Serb leader, warned that "if the Moslems do not wish to lose everything they have to sit at the negotiating table as soon as possible".

Serb forces were reported yesterday to have seized the southwestern part of Mount Igman, a key defence point for Sarajevo. Bosnian radio said the Croatian Defence Council had interned 10,000 Moslems, mostly men, near Capljina southwest of Mostar. It was using them to dig trenches and as human shields.

### UN body makes plea for funds

The United Nations High Commissioner for Refugees yesterday appealed to the British public to help make up an estimated $100m shortfall in this year's $420m budget, writes Mark Suzman in London. Money raised by a campaign which opens this week will go to charities working in Bosnia. Similar appeals will be made in Italy, the US and elsewhere.

### Russia raises gas price fourfold

The Russian government yesterday increased by more than four times the state price for natural gas as part of its campaign to bring domestic prices in line with world levels, writes Chrystia Freeland in Moscow.

### E German energy set to open up

Eastern Germany's energy sector will soon open up to greater competition after a local council in Mecklenburg-Vorpommern yesterday settled a two-year dispute over access to power generation, writes Judy Dempsey in Berlin. The dispute delayed investment plans by western German, and foreign utilities in the region.

### Short hours make many miserable

Germans work the shortest working week in Europe – but they are not happy about it, writes David Waller in Frankfurt. According to a poll by the Wickert Institute, 37 per cent of Germans complained they had too much free time in the previous month.

### Europe's trees take a beating

The state of Europe's forests deteriorated again last year with nearly a quarter of trees suffering defoliation of at least 25 per cent, according to an annual survey by the European Commission and the United Nations Economic Commission for Europe, writes Frances Williams in Geneva. Weather, insects, fungi, forest fire, action of man, game and air pollution were all blamed, but most countries said air pollution was a factor.

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Unctad's World Investment Report

# Multinationals take lead as world economic force

OVERSEAS investment by multinationals has become a bigger force in the world economy than world trade, according to a report from the United Nations. In 1992 sales generated by multinationals outside their country of origin totalled $5.5trillion (million million), compared with total world exports of $4trillion.

Transnational corporations (TNCs) now control one-third of the world's private sector productive assets. The stock of foreign investment worldwide totals $2trillion. In national terms, the biggest owners are the US with $474bn and the UK with $259bn. Japan is catching up fast with $251bn.

Growth in foreign direct investment is set to take off again after a period of decline, according to the report. In particular, investment in the developing world could double in real terms by the year 2000 from $40bn last year.

Total investment fell in 1992 for the second year running, from $183bn to $150bn, compared with a peak figure in 1990 of $234bn. But inflows to the developing world carried on rising, while those to the developed world fell sharply.

The latest decline follows a period of growth well above average. During the past two decades, the average annual rise in investment was 13 per cent. In the period 1986-90 the average was 28 per cent. The report attributes this to the economic boom of the late 1980s and a consequent wave of mergers and acquisitions, and to one-off policy changes such as the announcement of the EC single market.

The underlying trend is still upwards, the UN says. There is continuing liberalisation in policies towards foreign investment, especially in services such as telecommunications, transportation, utilities and insurance.

In addition, the report argues, "international production has become a central structural characteristic of the world economy". This is partly a result of the revolution in communications, which allows companies to integrate more fully with their overseas subsidiaries. Assuming trade liberalisation continues, companies will still have the incentive to locate production in low-cost countries from which they can export.

The report points to privatisation as helping the trend. From the mid-1960s to the early 1970s, it says, many developing countries expropriated multinationals' assets in the belief that control was the key to economic independence. From the mid-1970s, inward investment came to be seen as the way to attract foreign capital and technology. Multinationals have been particularly involved in privatisation in Latin America and Eastern Europe.

However, the report warns the trend could reverse again if economic growth remains weak, technology transfer proves disappointing or world markets are closed through protectionism.

By the early 1990s the world total of transnational corporations had reached 37,000, with more than 170,000 foreign affiliates. Because of non-equity arrangements such as franchising and licensing, this is claimed to underestimate their true influence.

*More than 90 per cent of* TNCs have their headquarters in the developed world. Almost 60 per cent of all parent companies are in manufacturing, 37 per cent in services and 3 per cent in the primary sector. There is an increasing concentration of investment in services and technology-intensive manufacturing, with a declining share in the primary sector and resource-based manufacturing.

Ownership of foreign assets is highly concentrated, with half the total owned by just 1 per cent of the companies. The world's biggest transnational corporation, by size of overseas assets, is Royal Dutch Shell. Next come Ford, GM, Exxon and IBM. Of the top 20, seven are American, three Japanese, two German, two Anglo-Dutch and two Swiss, with one each from the UK, Holland, Italy and France. The list does not include financial corporations.

Investment in developing countries continues to show a clustering pattern, with Japan increasingly dominant in Asia, the US in Latin America and EC countries in eastern Europe and much of Africa. However, investment is crossing regions more.

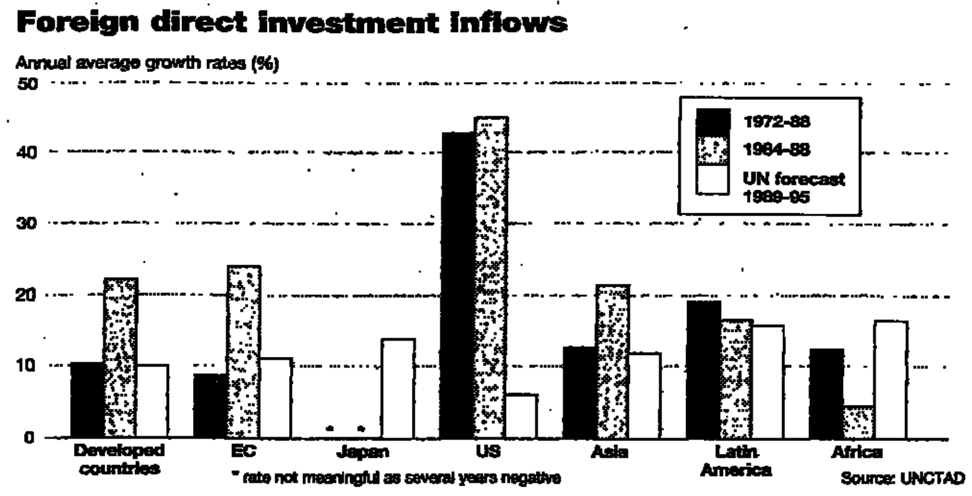
The strategies of TNCs are fostering world-wide economic integration, the report says. Companies are locating central functions in whichever country is most cheap or efficient.

The report argues that such activities cause integration between countries even in the absence of formal agreements such as the EC single market. Asian economies have been more closely integrated by the production strategies of Japanese companies, while US companies were establishing links with Mexico before the negotiation of the North American Free Trade Agreement.

"The traditional division between integration at the corporate and country levels begins to break down," the report says. "TNCs . . . encroach on areas over which sovereignty and responsibilities have traditionally been reserved for national governments."

*World Investment Report 1993: Transnational Corporations and Integrated International Production. United Nations Publications, New York, $45.*

**Tony Jackson**




# An open door alone is not enough to attract cash

AS multinationals integrate their global operations, and account for an increasing share of world trade and investment, they present new challenges for policy makers.

Liberalisation may no longer be enough to capture a share of international investment capital, the World Investment Report says. More pro-active measures are needed. While it challenges the value of tax holidays and other fiscal incentives, it calls on governments to "play an active role in improving their economies as locations for foreign investment".

Noting that 90 per cent of foreign direct investment goes to industrial countries, and that a further 8 per cent goes to just 10 countries in Asia and Latin America, it says the potential "is considerable" for developing countries to capture increasing investment flows over the decade ahead – as long as appropriate policies are adopted.

"Modern financial services, telecommunications, transport and utilities are essential for developing countries, not only to bolster the efficiency of the wider economy and improve the competitiveness of the export sector, but to insert themselves into the system of integrated international production," it says.

**The largest 20 non-financial transnational corporations, ranked by foreign assets, 1990 ($bn)**

| Rank | Corporation | Country | Industry | Foreign assets | Total assets | Foreign sales | Total sales |
|---|---|---|---|---|---|---|---|
| 1 | Royal Dutch Shell | UK/Netherlands | Petroleum refining | 69.2 | 106.4 | 47.1 | 106.5 |
| 2 | Ford | United States | Motor vehicles and parts | 55.2 | 173.7 | 47.3 | 97.7 |
| 3 | GM | United States | Motor vehicles and parts | 52.6 | 180.2 | 37.3 | 122.0 |
| 4 | Exxon | United States | Petroleum refining | 51.6 | 87.7 | 90.5 | 115.8 |
| 5 | IBM | United States | Computers | 45.7 | 87.6 | 41.9 | 69.0 |
| 6 | British Petroleum | United Kingdom | Petroleum refining | 31.6 | 59.3 | 43.3 | 59.3 |
| 7 | Asea Brown Boveri | Switzerland | Industrial and farm equipment | 26.9 | 30.2 | 25.6 | 26.7 |
| 8 | Nestle | Switzerland | Food | - | 28.0 | 35.8 | 36.5 |
| 9 | Philips Electronics | Netherlands | Electronics | 23.3 | 30.6 | 28.8 | 30.8 |
| 10 | Mobil | United States | Petroleum refining | 22.3 | 41.7 | 44.3 | 57.8 |
| 11 | Unilever | UK/Netherlands | Food | - | 24.7 | 16.7 | 39.6 |
| 12 | Matsushita Electric | Japan | Electronics | - | 62.0 | 21.0 | 46.8 |
| 13 | Fiat | Italy | Motor vehicles and parts | 19.5 | 66.3 | 20.7 | 47.5 |
| 14 | Siemens | Germany | Electronics | - | 43.1 | 14.7 | 39.2 |
| 15 | Sony | Japan | Electronics | - | 32.6 | 12.7 | 20.9 |
| 16 | Volkswagen | Germany | Motor vehicles and parts | - | 42.0 | 25.5 | 42.1 |
| 17 | Elf Aquitaine | France | Petroleum refining | 17.0 | 42.6 | 11.4 | 32.4 |
| 18 | Mitsubishi | Japan | Trading | 16.7 | 73.8 | 45.5 | 129.3 |
| 19 | GE | United States | Electronics | 16.5 | 153.9 | 8.3 | 57.7 |
| 20 | Du Pont | United States | Chemicals | 16.0 | 38.9 | 17.5 | 37.8 |

*- Data unavailable; Unctad estimates* — *Source: UNCTAD*

Noting that an efficient private sector "is unlikely without an efficient public sector", it calls for public institutions to be "restructured according to modern organisational and management practices".

The complex integrated relationships between parents and affiliates across the world are challenging nationally-based legal control. This raises the question of whether such multinationals should be treated differently from domestic companies as well as making it steadily harder to pinpoint where legal responsibilities lay and where tax should be paid.

The reason liberalisation alone is no longer enough is that an increasingly large number of developing countries have opened their economies in similar ways. Governments keen to attract foreign investment "should go beyond general, broad based efforts and focus on particular functions (eg regional headquarters, research and development, accounting) for which they believe they have certain advantages".

Also countries must:

- Care less about ownership structure of a multinational based inside their borders, and more about attracting investment in the first place: "It is more important to host technology than to own it."
- Market themselves attractively.
- Focus on service industries, as these will account for an increasing share of foreign investment flows in the decade ahead.
- Develop policies to encourage small and medium-sized domestic industries, as such policies can attract investment from the increasingly numerous small and medium-sized transnational corporations.
- Cut transaction and "hassle" costs while minimising the risk and uncertainty many foreign investors feel when entering a new market.
- Ensure assistance is available to foreign investors after approval has been given for an investment.
- Protect intellectual property, seek help from nationals living overseas, and consider export processing zones, "some of which have been quite successful".

"International production is increasingly determined by factors that go beyond cheap labour, and depend on overall national competitiveness."

It challenges strongly the use of fiscal incentives such as tax holidays: "An incentive competition between governments is very costly, particularly for developing countries, and can generate inefficient investments with disappointing results. If it goes too far, not even the 'winning' country obtains a net benefit."

It nevertheless concedes that incentives have been effective in influencing the direction of investment. It refers to a recent World Bank study in which two-thirds of 74 cases showed the final decision on where to invest was influenced by incentives.

The report calls for international co-operation – through the Organisation for Economic Co-operation and Development or the UN – to negotiate incentives down: "International harmonisation of incentives is a difficult thing. But given their limited effectiveness, their tendency to distort investment, trade flows and the danger of an incentives war, a concerted effort in this area would be desirable."

Examining the increasing problems linked with pin-pointing the "legal personality" of a multinational, it recommends international co-operation in areas such as competition policy, disclosure of corporate information, common accounting principles, and regulations for environmental protection.

Co-operation is also urgently required on the issue of taxing multinationals, and answering questions such as where taxable income is earned, how it is distributed across different countries in the production chain, and how taxes should be allocated.

The issue has been highlighted in the US, where California is challenging conventional "arm's length" international tax practices by insisting it can tax multinationals operating there by calculating a sum based on the staff employed in the state, the investment made, and the value of output, as a proportion of the TNC's global activities.

The UN report is sympathetic to such a "unitary tax", but warns of complications because such a tax assumes profit is spread uniformly across all stages of an integrated production system and does not take into account that production costs vary from country to country.

It calls again for international co-operation as the only solution to these problems.

**David Dodwell**

# Malaysia urged to boost Gatt role

By Frances Williams in Geneva

MALAYSIA's rapid economic growth over the past two decades owes much to expansion of its international trade, making it a major beneficiary of the liberal world trade regime, the General Agreement on Tariffs and Trade says in a report published yesterday

Malaysia, which has a population of just 18m, has transformed itself from a commodity producer to an important manufacturing centre. Exports and imports each now account for almost 80 per cent of GDP from under 50 per cent in the 1960s, and Malaysia has become the 16th largest trader in Gatt.

In the light of Malaysia's increased weight in international trade, "it would be proper for Malaysia to consider fuller integration into the Gatt system and to assume more responsibility in it", the report says.

It notes, among other things, that Malaysia has "bound" (agreed not to raise) only 1 per cent of tariff lines in Gatt, and has joined only one of Gatt's nine voluntary codes of trade practice. While tariffs average only about 15 per cent, certain "strategic" sectors such as car production are protected by high tariff and non-tariff barriers.

In general, however, Gatt members who discussed the secretariat's report this week were full of praise for Malaysia's achievement. Real GDP growth has averaged about 6 per cent in the 1980s and just under 9 per cent in the early 1990s. Per capita incomes have risen by nearly 7 per cent a year to $3,100 (£2,067) in 1992, putting the country well on the path to its stated objective of developed country status by the year 2020.

Foreign investment has played a big part in these developments. Since 1967, the report notes, 60 per cent of manufacturing investment has been based on foreign capital, largely directed to export production. The share of manufactures in total exports has risen from about 22 per cent in 1980 to 69 per cent in 1992.

Malaysia has become the world's largest exporter of room air conditioners and ranks among the top three exporters of semiconductors. Electronics, textiles and rubber-based products account for over 70 per cent of manufactured exports.

In commodities, Malaysia accounts for about one half of world timber exports, is the world's biggest producer of palm oil and has significant sales of crude petroleum, rubber and tin.

The report also draws attention to the fact that, in recent years, there has been a shift in Malaysia's trade policies towards closer integration within the Association of South-East Nations, comprising Brunei, Indonesia, Malaysia, Philippines, Thailand and Singapore.

The Asean Preferential Trading Agreement, signed in 1977, provides for preferential margins of between 25 and 50 per cent on imports originating in members states. At the beginning of 1992, Asean members agreed on a Common Effective Preferential Tariff Scheme with the aim of achieving an Asean free trade area within 15 years from the beginning of this year.

# Mexico pressed to move against Canadian wheat

By Nancy Dunne in Washington

THE US Republican leader, Senator Robert Dole, and Senator Max Baucus, chairman of the Senate trade sub-committee, are putting pressure on Mexican President Carlos Salinas to bring a countervailing duty case against "unfair Canadian wheat subsidies".

In a letter to President Salinas last week, the two senators linked the president's response to their support of the North American Free Trade Agreement. Bringing a CVD case "would indicate a strong desire to guarantee that the Nafta will provide continent-wide trade, free of export subsidies," they said. "Failure to address this problem jeopardises the support for the Nafta among wheat producers and their congressional representatives."

They said a CVD case has the strong support of Mexican wheat farmers, who might otherwise get caught in a price-cutting trade war between US and Canada, "placing them in a position where they could not compete with the resulting lower prices".

A Mexican trade analyst said complaining to the president is "not the appropriate channel. . . it is for the Mexican farmers to go to the Ministry of Commerce." If Nafta is approved, there would be a mechanism to address this kind of complaint, he said.

US lawmakers have been furious that Canada has dominated the Mexican wheat market for the past three years and insist it is due to subsidies by the Canadian Wheat Board.

# Skoda Plzen nears Siemens pact

By a correspondent in Prague

SKODA Koncern Plzen, the Czech republic's largest engineering combine, is on the verge of finalising a joint venture with the German company Siemens to manufacture steam turbines. The deal ends two years of uncertainty over the future of Skoda Plzen's turbine division.

Mr Lubomir Soudek, Skoda Plzen's chairman, indicated last week that he had given the Siemens team until the end of this week to agree to five main conditions. An official has confirmed that arrangements for the signing of the memorandum of understanding will be made this week.

Discussions with Siemens relating to a transportation joint venture are not being pursued. Skoda Plzen already has joint ventures with Brown & Root, and Dörries Scharmann and Secheron, and is separate from Skoda Auto, the car maker now owned by Volkswagen.

The company is undergoing internal restructuring which has involved cutting the number of employees from 38,000 to 21,000. All 34 divisions had to show plans last month, the first time management had seen a breakdown of basic input costs like power consumption. New investment areas include eco-technology such as incinerators and nuclear waste fuel containers.

A subsidiary is discussing with an American company plans to develop its prototype electric car. Skoda Plzen has also teamed up with Alcatel Alsthom to bid for a metro contract in Prague.

In addition Skoda Plzen has signed a preliminary agreement with a Russian partner and is lobbying the Czech government to sell its inter-government discounted debt to finance the project. Skoda Plzen has also brought together a consortium of 12 Czech companies to produce arms to modernise the Czech and other east bloc armies.

Mr Soudek, who was appointed managing director by the first post-revolution government and then sacked, was reappointed last autumn to turn the company around. His approach to the company's restructuring problems is to strike hard deals and look again at traditional markets like Russia, China and India.

After falling into crisis last autumn, the company is owed Csk5.6bn (£127m) by other companies, equivalent to more than half last year's production, plus Csk1.3bn by the Czech government for 60 locomotives the state railway no longer wants.

# UK seeks bigger US airline stakes

By Daniel Green

THE UK has called on the US to allow foreign airlines to take larger stakes in US carriers.

In evidence given to President Bill Clinton's emergency government commission on the US airline industry, the UK government also defended British Airways against accusations by US carriers that it was too dominant at the world's busiest international airport, London's Heathrow.

Britain is keen to present a strong case to the Commission which it believes will influence talks already under way between London and Washington over reforming the rules on passenger traffic between the two countries.

Earlier this week, the commission recommended tentatively that foreign airlines be allowed to own up to 49 per cent of the voting stock of US carriers. The current limit is 25 per cent. Its final report is to be published next month.

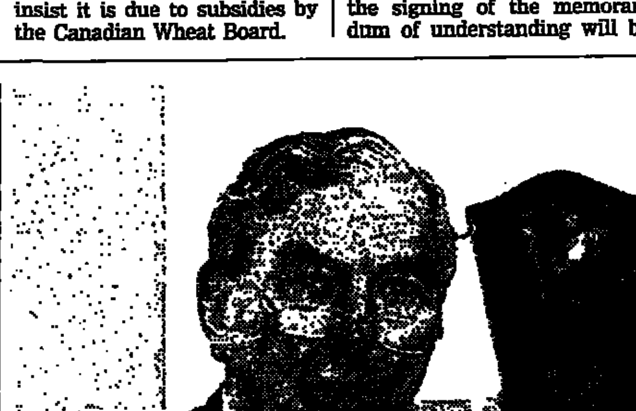
The UK argued that US airlines have unfair access to the US domestic market.

Most transatlantic passengers starting or ending in cities not served by UK carriers spent their entire journey on US carriers. "Foreign airlines are effectively being denied access to one third of transatlantic traffic, approximately 3m of the 9m transatlantic passengers," said the UK. This was "a cause for concern".

The UK argued that BA's share of Heathrow business, at 38 per cent, was far less than most US carriers had at their main hub airports.

The arguments are unlikely to sway US Department of Transportation officials. They have signalled their determination to win concessions from the UK government on US airlines' access to UK airports, especially Heathrow.

Representatives from the US Department of Transportation and their UK counterparts will meet next week in London in the latest round of talks. The two transport ministers have set a deadline of April 1994 to agree on a new package.



John Cahill at a Taipei news conference yesterday

# BAe chief warns of obstacles to joint venture with Taiwan

By Dennis Engbarth in Taipei and Daniel Green in London

OBSTACLES still remain in the way of the proposed £250m joint venture between British Aerospace and Taiwan Aerospace Corporation (TAC), said Mr John Cahill, BAe's chairman, yesterday. He warned that the deal must be completed by July 31.

The plan to transfer production of BAe's regional jet (RJ) airliners to the joint venture is fundamental to the restructuring and recovery of BAe's loss-making civil aircraft business.

The deadline for the final conclusion of the venture had already been postponed twice, said Mr Cahill. "We have a mandate [from BAe's board of directors] which expires at the end of July. I doubt very much that it could be extended beyond the end of July."

Mr Cahill said he nevertheless expected soon to "receive the necessary written assurances from the Taiwan government and financial institutions to enable this joint venture to go ahead."

He said one obstacle was that a plan to create a company for leasing the aircraft was still not finalised.

A consortium of Taiwan banks have been asked to provide $400m (£267m) to finance the leasing company and $60m in working capital.

But the group, led by the Chiao Tung Bank, the state development bank, have questioned the market outlook for the RJ and the risks involved in the leasing operation.

Mr Cahill argued that the BAe executives had assured the local banking community that "leasing is a good business for banks to be in. It's a profitable business."

Mr Cahill also said TAC "needs the support of the banks for a relatively short space of time. Within two or three years, they will have established their credibility as a good, sound, solid company and they can then borrow on their own assets and reputation just as BAe can."

Mr Charles Masfield, president of BAe's regional jet unit, said: "Avro will be profitable in its first year of trading."

The reason for the link with TAC was to "ensure maximum penetration" into the rapidly growing Asia/Pacific market for aircraft with "a partner with full production capability, design, engineering and support capabilities," said Mr Masfield.

"By producing aircraft or significant portions of aircraft in this region, we will be able to produce lower cost aircraft and be able to sell the aircraft at lower prices, even with the profits Avro will be making."

Mr Cahill said mainland China would be a big market for the aircraft, as airline traffic in China was "growing at about 30 per cent a year".

BAe had been selling regional aircraft to China for 40 years and had already sold 18 BAC-146 regional jet aircraft to mainland Chinese users.

He added: "The size, payload and capabilities of this aircraft [the RJ] will make it more suited to the PRC [People's Republic of China] market as China's west opens up."

Mr Masfield said BAe would be "very disappointed if we don't sell more than 100 regional jets into the PRC".

He did not set a time frame for the figure, although BAe anticipates production of RJ and RJ-X aircraft to reach 382 by 2000 and 1,157 by 2011.

The size of the broader mainland China-Taiwan market will also be increased by sales to Taiwan-based airlines flying to the mainland when direct air links are established.

Mr Cahill met officials of Taiwan's Ministry of Economic Affairs, the Chiao Tung Bank, and legislators from both the ruling Kuomintang and opposition Democratic Progressive party during his two-day visit.

# Riot police sent to end Hyundai dispute

## John Burton reports on Seoul's tough stance on industrial unrest

THE South Korean government yesterday demanded that workers at Hyundai Motor suspend their industrial action immediately and sent riot police to enforce the order.

The swift intervention is meant to end the 46 days of labour strife that has disrupted South Korea's biggest industrial conglomerate.

Hyundai Motor is the largest of the nine Hyundai companies still affected by stoppages that began in early June. Hyundai estimates that it has lost Won390bn (£326m) in sales as a result of the partial strikes at the country's leading vehicle maker. This accounts for two-thirds of total losses in turnover suffered by Hyundai during the dispute, while total production losses amount to Won1,230bn, including business lost by 2,500 subcontractors mostly affiliated with Hyundai Motor.

In targeting Hyundai Motor, the government hopes to persuade workers at the other striking Hyundai companies to settle their dispute over pay and working conditions and return to work.

The government invoked its emergency powers to intervene because it fears that the continuing labour conflict could affect Korea's economic recovery by reducing exports. Officials estimate that the country has already lost almost Won250bn in exports, mainly motor vehicles, due to the strike. Although Hyundai Motor workers had resumed normal schedules late last week in a conciliatory gesture to management, they threatened to resume partial strikes today and stage a general strike on Friday if no progress was achieved in negotiations.

Hyundai Motor workers are now barred from staging any form of industrial action until August 8, while the government mediates in the dispute, possibly imposing a settlement.

As many as 10,000 police are being deployed to Ulsan – the south-eastern city where Hyundai Motor and the other Hyundai companies are located – to suppress any strike activity.

A clash between workers and riot police would be highly embarrassing for the new democratic government of Mr Kim Young-sam, who promised labour reforms when he took office five months ago. The use of emergency powers already represents a setback for the government's labour policy, which was based on negotiations between labour and management without any government interference.

It is only the second time the government has resorted to using emergency powers to end a labour dispute, the first having occurred in 1969. But police were frequently used to suppress strikes during the military dictatorship in the 1970s and 1980s.

# N Korea-US nuclear accord hailed by Seoul

SOUTH KOREA said yesterday that the results of the US-North Korea talks in Geneva represented "major progress toward the resolution of the North Korean nuclear issue".

Officials in Seoul said the talks produced what amoumted to a framework agreement to dispel suspicions about Pyongyang's nuclear programme.

Although many obstacles remain before talks are completed, the ultimate goal appears to be an improvement in US-North Korean relations in exchange for Pyongyang's acceptance of full nuclear inspections.

North Korea has been seeking expanded ties with the US to break its diplomatic isolation and encourage foreign investment that is needed to save its troubled economy.

Pyongyang agreed in Geneva to begin talks with the International Atomic Energy Agency (IAEA) on complete inspections of its nuclear facilities.

North Korea last year allowed the IAEA to conduct regular scheduled inspections of declared facilities at the Yongbyon nuclear complex, but barred access to two unreported nuclear waste sites. The IAEA wanted to examine the sites to determine if North Korea is reprocessing more plutonium than it has disclosed.

The "special inspections" of the sites demanded by the IAEA prompted the country in March to threaten to leave the nuclear non-proliferation treaty.

Pyongyang accused the IAEA of not being impartial in its demand for the special inspections, the the first time it had requested them.

South Korean officials suggest that the IAEA may withdraw its demand for special inspections in a face-saving gesture if North Korea allows the agency access to the two facilities under another form of inspection.

North Korea also promised to resume talks with South Korea on mutual nuclear inspections as stipulated in their 1991 non-nuclear pact.

If progress is made in Pyongyang's talks with the IAEA and South Korea, the US will hold more talks to discuss improving ties with North Korea within two months.

One initial step in developing ties would be US assistance in replacing North Korea's graphite moderated reactors with light water reactors, which are safer, easier to inspect and depend on imported enriched uranium for fuel. North Korea has two small reactors at Yongbyon and is building two bigger 50MW and 200MW units there which are scheduled for completion by 1996.

## Many obstacles remain, writes John Burton

One reason the North adopted gas-cooled reactor technology from the former Soviet Union was that it uses natural uranium for fuel. Natural uranium is produced in North Korea, making it difficult to determine how much uranium the country has consumed and reprocessed as plutonium.

Reliance on nuclear power would ease North Korea's energy shortage caused by cessation of oil shipments from the former Soviet Union. Pyongyang has tried to cover the shortage by selling Scud missiles to Iran for oil.

However, South Korean officials cautioned that even if the US agrees to provide Pyongyang with light water reactor technology, it would not immediately solve North Korea's energy shortage.

The US is also demanding other concessions from North Korea in return for improved relations, including ending human rights abuses, renouncing terrorism and stopping the sale of Scud missiles to the Middle East.

Seoul is also offering to permit business contacts if progress is made in the inter-Korean talks on the nuclear problem and other issues.

But Seoul is warning that snags could still quickly develop. . North Korea may want to conduct the negotiations through special high-level envoys and link the discussions to a summit meeting between North Korean President Kim Il-sung and South Korean President Kim Young-sam.

Seoul prefers lower-level negotiations through the bilateral joint nuclear commission and await progress on the nuclear issue before agreeing to any summit meeting.

# Japanese PM set to quit over loss of majority

By Robert Thomson in Tokyo

MR Kiichi Miyazawa, Japan's prime minister, appeared ready yesterday to bow to demands within the Liberal Democratic party for him to resign to take responsibility for the party's loss of its parliamentary majority.

The LDP leader came under increased pressure after the resignation of Mr Junichiro Koizumi, the posts and telecommunications minister, who said Mr Miyazawa "should have resigned right after our defeat in the election" on Sunday.

Mr Miyazawa, 73, has generally been vague in replying to the party's demands in the hope of maintaining power, but indicated that he is likely to resign at a party meeting tomorrow at which other LDP executives are expected to be replaced.

Reputedly a reformer, Mr Koizumi presented his resignation as an honourable political act, yet he is a member of a rival LDP faction headed by the openly ambitious Mr Hiroshi Mitsuzuka, who wants the party leadership.

The new leader will be the LDP candidate for prime minister at an extraordinary session of parliament early next month.

Rival faction leaders claim that Mr Miyazawa must resign in the "interests of party unity and stability," but these faction heads are also under attack from younger party members for their role in the party split that led to the election and the end of one-party rule in Japan.

The LDP must find a partner to be certain that its candidate will be chosen as prime minister at the extraordinary session, likely to be held on August 2.

The resignation of Mr Miyazawa will be cited as evidence to potential partners that the party is in favour of political reform.

However, Mr Miyazawa showed more interest in reforming the scandal-stained political system than did the rival factions demanding his head. It will be difficult for one of the newer pro-reform parties to agree to a coalition with the LDP if Mr Mitsuzuka, or a senior member of his conservative faction, takes the helm.

Reuter

Kiichi Miyazawa (right), Japan's prime minister, appears with former prime minister Toshiki Kaifu while speaking to Liberal Democratic Party leaders at the party's headquarters yesterday

# Consumer confidence in Japan shows decline

By Robert Thomson

HOUSEHOLD spending in Japan fell 1.8 per cent in May from a year earlier, the first decline in three months and a sign of the weakening consumer confidence that threatens to delay a recovery expected later this year.

The fall in most areas of consumer spending is likely to intensify debate on income tax cuts, but the post-election confusion will make politically-sensitive decisions even more difficult, including a stimulatory package demanded by business leaders.

Management and Co-ordination Agency officials said housing-related spending was 10.1 per cent lower in May, while education spending slipped 4.7 per cent and furniture and other household expenditure fell 3.9 per cent.

The agency also reported that disposable income during the month was 4.7 per cent lower than a year earlier, reflecting the impact of reduced overtime and an increase in unemployment, both of which are undermining consumer confidence.

There is also growing concern among government economists that the continuing political instability could prompt consumers to be even more selective in their spending in coming months. The US has asked that Japan stimulate demand to increase imports and reduce the trade surplus.

An index of leading indicators compiled by the Economic Planning Agency fell to 30 per cent in May from 63.6 per cent in April, below 50 per cent, the so-called boom-bust line, for the first time in four months.

The fall in the index was attributed partly to a decline in shipments of manufacturing goods, which had risen in March and April in expectation of an increase in demand that did not materialise.

# Market bully or go-ahead enterprise?

## Louise Kehoe on anti-trust charges against Microsoft

FOR ALMOST three years, Microsoft, the world's largest computer software company and the dominant supplier of programs for use on personal computers, has been the subject of a "non public" anti-trust investigation by the US Federal Trade Commission.

The investigation has been far from secret, however, with several Microsoft competitors eagerly assisting the FTC, and unnamed agency "sources" providing regular updates to the computer trade press.

As an extraordinarily successful company and an aggressive competitor, Microsoft has more than its share of detractors in the software industry. They allege that Microsoft has used nefarious tactics deliberately to constrain competition and achieve its market leadership.

Novell, one of Microsoft's strongest competitors and the leading supplier of personal computer networking software, has spearheaded the attack, hiring Washington lobbyists to raise political support for anti-trust action against Microsoft.

"Ray Noorda, Novell chairman and chief executive, is totally committed to the case as a matter or principal," says Wendy Goldman Rohm, author of The FTC versus Microsoft: the Inside Story, which is to be published soon. On Monday, she says, "a team of Novell attorneys gave presentations to the commissioners, hoping that they would restrict Microsoft's practices".

In particular, Novell alleges that Microsoft's system of "per processor" licences for MS-DOS and Windows, its widely used PC programs, has a serious anti-competitive effect on the software market. Microsoft offers discounts to PC manufacturers that agree to pay a royalty fee for the right to install MS-DOS and Windows on all the computers they sell. Novell claims that this in effect excludes competitors such as itself.

### Microsoft denies that it has done anything wrong and continues to co-operate with the investigation

Others in the industry charge that Microsoft uses its near monopoly in the operating system software market to gain unfair advantage over competitors in the market for PC applications programs.

Microsoft says that it is legally constrained from commenting directly on the FTC's deliberations, but it has denied any wrong-doing and continues to co-operate with the investigation.

In February, an FTC vote deadlocked, two for and two against, on whether to seek a court injunction against Microsoft. Today the commission will consider a revised and much narrower case against Microsoft. It is believed to focus upon alleged abuse of product warranties to tie customer's guarantees to use of other Microsoft programs, as well as allegations that Microsoft deliberately and falsely gave users of test versions of Windows the impression that the program would not work properly with competing PC operating systems such as Novell's DR-DOS.

Whatever decision the commission reaches today, it is not expected to have an immediate impact upon Microsoft's business. The Commission will not seek "structural changes" at Microsoft, such as breaking up the company, Ms Goldman Rohm predicts.

Nonetheless, the case could have a broad impact on the computer software industry by forcing Microsoft to be more restrained in its competitive tactics, providing other companies with an opportunity to unseat the industry leader.

Microsoft has sold about 30m copies of Windows since its launch three years ago and about 100m copies of MS-DOS over the past 12 years. Net income for fiscal year 1992, ending June 1992, was $708m on revenues of $2.8bn.

### Clues are being sought on the Clinton administration's view on anti-trust law enforcement

If the FTC votes to seek an injunction against Microsoft, the company could simply consent and avoid a trial. Were Microsoft to fight the case, however, it runs the risk of becoming embroiled in a legal battle that could last years, reminiscent of International Business Machines' battles with the Justice Department.

The Microsoft case is also being closely watched for clues about the Clinton administration's stand on anti-trust law enforcement after 12 years of Republican rule in the White House during which a "let the market decide" philosophy toward non-merger anti-trust cases prevailed.

Should the FTC again reach deadlock over whether to carry the Microsoft case forward, the US justice department is poised to take over the case, according to Ms Goldman Rohm.

For Microsoft, win or loose, the message is that as a big and successful company, it needs to be aware of the anti-trust implications of its business practices.

So far, however, Microsoft has been reluctant to accept such constraints, which it believes could be damaging to its competitiveness. While other software companies characterise Microsoft as a bully, Microsoft itself is still battling to stay ahead.

# Russia hints at attacks across Afghan border

By Chrystia Freeland in Moscow

A TOP AIDE to Russia's security minister said yesterday that Russian forces in Tajikistan reserved the right to launch attacks across the Afghan border and that "we have the moral right to invade their territory".

General Vladimir Bondarenko, the security minister's chief of staff, echoed the tough line taken last week by the Russian military establishment after 25 Russian border guards were killed on July 13 in a raid launched by Tajik opposition fighters who had taken refuge in Afghanistan after losing the struggle for control of their republic.

Tajik and Russian officials have accused the fissiparous coalition government in Kabul of masterminding the attack, a charge the Afghan leadership has denied.

Russian legislators, back from a trip to the embattled border region, admitted yesterday that Russian forces were behind a retaliatory attack into Afghan territory last week in which 380 people were killed or wounded and 6,000 villagers forced to flee their homes.

Gen Bondarenko said yesterday that the security ministry, the body responsible for the border forces, had authorised its troops to fire into Afghanistan.

"The border guards have received an order to use fire to prevent any concentration of the enemy, even across the border, into Afghanistan," he said at a press conference.

"I think they also should have the right to raid Afghan territory," Gen Bondarenko added, but said the order for such attacks had not been given.

Russian leaders and opinion makers are split on how to their country should react to the bloody conflict on the Afghan border.

Hard-line communists and nationalists, accusing the military of "criminal wavering," believe its reaction has not been tough enough, but the foreign ministry, wary of becoming involved in an unwinnable guerrilla war, is adopting a moderate stance.

# OECD hits at short-term job tenures

By David Goodhart, Labour Editor

THE OECD's annual report on labour market trends, published yesterday, has once again managed to combine objectivity and strong judgment without causing too much offence to any of its 22 member states.

But in the case of the UK government it may have been a near-run thing.

The report's editorial has often in the past tilted towards US and UK style labour market deregulation but this year it stresses the importance of long-term commitments in the workplace and active labour market management.

The 1993 editorial is explicitly critical of the short job tenures associated with "hire and fire" labour markets and warns of the dangers of creating too many sub-standard and insecure jobs.

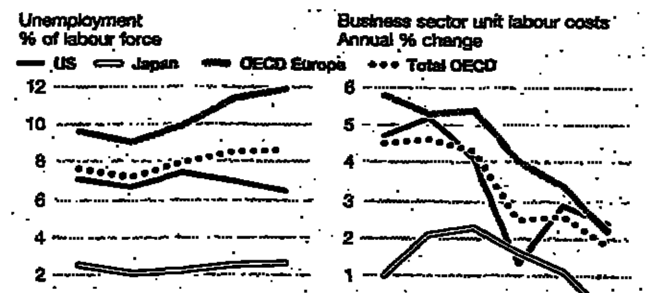
It is ironic that the OECD, usually associated with a more pro-market approach than the European Commission, should be emphasising long-term human resource development at a time when the EC is taking a hard look at deregulation. One economist suggested yesterday that the dismal state of the US and UK labour markets towards the end of last year, when the report was being drawn up, may have affected the judgments.

But the differences should not be exaggerated. The OECD report repeats many of its long-standing criticisms of over-rigid labour markets and high payroll taxes, especially in the EC (and southern Europe in particular) where half of the unemployed have now been out of a job for more than a year.

The report expects total OECD unemployment to peak in 1994 at the record level of 36m, up from 7.9 per cent of the workforce in 1992 to 9 per cent, and 10m above the cyclical low of 1990. OECD Europe will be even worse with the level rising to 12 per cent or 23m people. Nevertheless, employment is growing again in several countries including the US, Canada, Australia and New Zealand and the report foresees OECD unemployment in other member countries starting to fall in the second half of 1994.

The authors stress that the figures on measured unemployment should be supplemented by the 13m OECD workers who were either "discouraged" from looking for work by poor job prospects or were part-time workers who wanted to work more hours.

However, since the early 1980s there appears to have been a slow fall in the number of discouraged workers.




That may have something to do with the gradual shift in spending on the unemployed from passive measures, such as unemployment benefits, to active measures such as training and placement services. Although in most countries passive measures continue to comfortably outstrip active measures, the proportion did shift towards active measures in 13 out of the 22 countries between 1985 and 1990.

The report claims that there is tentative evidence to show that active programmes have increased the relationship between job creation and output growth and have increased wage moderation, especially in France, Sweden and Germany.

Consistently positive results have been found for programmes in which counselling and job search assistance have been made compulsory for people claiming benefit. Recruitment subsidies to employers generally have positive results, although the gains are usually less than they seem because subsidies are often paid for workers who would have been hired anyway. Less favourable results are reported for broadly-targeted programmes such as training for all the unemployed.

The report also suggests that countries with a higher degree of labour market activism have been better at combating long-term unemployment. People out of work for more than one year account for more than 30 per cent of the OECD unemployed. In most countries long-term unemployment is concentrated among prime age workers but in Southern Europe the largest share is found among youths – 15 to 24 – and in Japan and Sweden among older workers.

Long-term unemployment is associated with technological change which has reduced the demand for unskilled labour, as witnessed by the low educational standards of the long-term unemployed.

But the authors also conclude that "high long-term unemployment is associated with high dismissal costs and generous provisions regarding the duration of unemployment benefit" and propose that both should be reviewed, especially in the southern EC countries.

They point to the use of temporary contract work as a means of reducing long-term joblessness and cite France and Spain where there was a large increase in temporary work during the 1980s. In France two-fifths of the long-term unemployed found work at the end of the 1980's through temporary contracts and in Spain, where nearly 40 per cent of all employees are now on temporary contracts, the figures was twice as high.

See Leader Page

# UK earnings inequality increases

THE UK saw the biggest increase in earnings inequality of any OECD country in the 1980s but remains considerably less unequal than the US and at about the same level as France, according to an analysis in the organisation's Employment Outlook, writes David Goodhart.

The 1980s saw earnings inequality rise in 12 out of the 17 countries for which data were available in marked contrast to the 1970s where inequality generally fell (with the exception of the US).

Small rises in inequality were recorded in Australia, Austria, Belgium, Canada, Finland, France, Japan, the Netherlands, Portugal, Spain, and Sweden. Large increases were recorded in the UK and the US. Levels of inequality remained stable in Denmark, Finland, Italy and Norway and inequality continued to fall in west Germany.

The OECD says the growing gap can be ascribed to highly-paid workers doing better than average rather than to poorly paid workers doing worse. Australia, Canada and the US were the only countries seeing falls in the real value of the bottom earnings decline.

NEWS: THE AMERICAS

Corruption inquiry may pose problems for Clinton

# Probe casts cloud over budget talks

By George Graham in Washington

THE fate of President Bill Clinton's budget package has fallen under the shadow of a federal investigation into the finances of Congressman Dan Rostenkowski, who as chairman of the House of Representatives' ways and means committee, is the dominant budget negotiator.

Mr Rostenkowski, a Chicago politician who has become one of Washington's premier dealmakers, has been the most prominent target of a probe that began with allegations of drug dealing over the counter of the House's private post office before turning its attention to charges of embezzlement by members of Congress.

Mr Robert Rota, the former House postmaster, pleaded guilty on Monday to three misdemeanour charges of embezzlement and conspiracy, admitting he had aided and abetted two congressmen in wilfully and knowingly embezzling government money. While the two members are identified only as A and B, documents filed with the guilty plea show dates and amounts of vouchers submitted to the post office which match vouchers already in the public record from Mr Rostenkowski and Mr Joseph Kolter, a former congressman from Pennsylvania.

Mr Ramsey Johnson, the US prosecutor handling the case, said Mr Rota's plea, made in exchange for an agreement to drop additional charges, "will greatly aid our ability to resolve the allegations of corruption at the House post office".

Despite the two-year investigation, however, no charges have been filed against Mr Rostenkowski or Mr Kolter. Mr Rostenkowski made no comment yesterday but has in the past described the investigation, initiated by Mr Jay Stephens, a Republican appointee with political ambitions, as a "fishing expedition and political witchhunt".

Dan Rostenkowski: 'fishing expedition and political witchhunt'

Mr Rostenkowski's importance as an ally in Mr Clinton's battle to win passage for the budget bill was underscored by the bill's mauling in the Senate.

Where Mr Rostenkowski was able to win passage for a bill that closely resembled the original version proposed by Mr Clinton, Senate Democratic leaders were unable to rein in their oil state members, who gutted the legislation of its proposed energy tax.

In negotiations to reconcile the different versions passed by the two chambers, which get under way in earnest this week, Mr Rostenkowski's role is expected to be critical.

If indicted, however, he would be compelled by House Democratic rules to step aside as chairman of the ways and means committee – a prospect which terrifies members looking for a quick resolution of the budget battle.

# Clinton picks judge to restore FBI leadership

By George Graham

PRESIDENT Bill Clinton yesterday named Mr Louis Freeh as new director of the Federal Bureau of Investigation.

Mr Freeh, a former FBI agent and prosecutor and now a federal judge in New York, was widely tipped for the job. He will replace Mr William Sessions, who was fired by Mr Clinton earlier this week.

The appointment, which is subject to confirmation by the Senate, will complete the Clinton administration's law enforcement line-up with a third figure drawn from the field of big city criminal justice.

Although Mr Clinton's first choices for attorney-general were drawn from the realm of corporate law, Ms Janet Reno, now installed as the star of the Clinton cabinet, was a criminal prosecutor in Miami. Mr Lee Brown, director of drug control policy and another cabinet member, served as police chief in Atlanta, Houston and New York.

Mr Freeh, whose record includes the break-up of the "pizza connection" heroin ring and the investigation of a series of letter bombs, has a reputation as a tough law enforcement professional.

He faces the immediate task of restoring leadership at an agency whose divisional heads have often been accused of acting as independent barons.

Mr Sessions' leadership had been impaired since a Justice Department report in January accused him of abusing the perks of office, but it is widely believed he never succeeded in taking the agency in hand.

The delay in appointing Ms Reno as attorney-general and in replacing Mr Sessions at the head of the FBI has left the Clinton administration lagging in crime policy.

Some politicians can scarcely believe Mr Clinton has not yet pushed for action on his crime agenda, which they feel could provide him with the relatively easy victory in Congress that has so regularly eluded him.

His campaign crime programme included proposals to put 100,000 more police officers on the streets with the creation of a national police corps, to put more money into community policing and drug treatment programmes, and to pass gun control laws.

# Venezuela bombs sent to top judges

By Joseph Mann in Caracas

LETTER bombs sent to members of Venezuela's Supreme Court over the past few days have raised fears that the country may be facing a new wave of political destabilisation.

A letter bomb addressed to the Supreme Court exploded on Monday when a court employee tried to open it. Bombs were also sent to the homes of the chief justice and his deputy but they were defused by police.

No one has claimed responsibility for the bombs, which have not been used before in Venezuela, and authorities do not seem to have clear suspects.

On Monday the court was scheduled to review a decision on corruption charges against former president Jaime Lusinchi, in office from 1984-89. Mr Lusinchi condemned the letter bombs.

El Diario, the Caracas newspaper, said yesterday that three additional bombs were being sought by the police. In 1992 the country was shaken by a series of terrorist acts supposedly carried out by a self-styled vigilante group.

Last year was also marked by political turmoil, including two failed military rebellions against the government and frequent anti-government protests and riots.

# GM settles truck lawsuits

GENERAL MOTORS has agreed to settle dozens of lawsuits by giving the owners of some 4.7m pick-up trucks with side-mounted petrol tanks $1,000 (£666) in coupons towards the purchase of a new GM vehicle, agencies report from Detroit.

In two separate agreements filed in a state court in Texas and a federal court in Philadelphia, GM said it settled all the outstanding class action lawsuits filed by owners of its 1973-1987 pick-ups.

The owners wanted to be reimbursed for resale value they said they lost because the trucks are allegedly vulnerable to explosions in side-on collisions.

In April the National Highway Traffic Safety Administration asked GM to recall the pick-ups, based on a finding that the trucks were 2.4 times more likely to catch fire in fatal side-on collisions than similar trucks built by Ford.

GM claims, however, that the pick-ups are safe and reiterated yesterday that it did not intend to recall the trucks.

"It does not affect the NHTSA case in any way, shape or form," a GM official said.

"This is not a recall. There is absolutely no modification of the vehicle. This separates the customer satisfaction concerns from the technical concerns."

The $1,000 certificates are transferable within an immediate family and cannot be sold without the truck.

# Puerto Rican referendum on US link pivots on economy

By Canute James

CAMPAIGNING is intensifying in Puerto Rico ahead of a referendum called for mid-November to determine the future political status of the Caribbean island, currently a US possession.

Puerto Rican leaders say the vote is intended to end several years of debate over whether the island of 3m people should retain its "commonwealth" link with the US, become a state of the union, or move to political independence.

Announcement of the referendum date by Dr Pedro Rossello, the island's governor, has intensified campaigning by the three main political parties, which are focusing on the likely impact on the island's economy.

It is not clear, however, how US legislators in Washington, who will have the last say on Puerto Rico's future, will treat the referendum result.

A decision by the US Congress will be affected by considerations such as Puerto Rico's geopolitical and strategic value; the island has a large US naval base. Puerto Rico is officially described as having a "freely associated" relationship with the US. Puerto Ricans are US citizens but cannot vote for a president. The island's representation in Washington is limited to a commissioner who has no vote to influence legislation.

The incumbent New Progressive party advocates a change in the status, with Puerto Rico becoming a state of the union, while the opposition Popular Democratic party is arguing for a retention of the current relationship with the mainland.

By all indications these are the options most Puerto Ricans will consider. There is little support for political independence, as indicated by the Independence party's poor showing in elections.

## 'Chances are the winner could get less than 50 per cent of vote'

Votes will be influenced less by political considerations than by the public's conclusions as to which political status offers the best deal for the economy.

The current commonwealth status has allowed the island a significant economic advantage under Section 936 of the US Revenue Code, which encourages mainland companies with subsidiaries in Puerto Rico to deposit their profits in local banks.

These deposits, totalling about $15bn (£10bn), have assisted economic growth and stability. The economy also benefits from federal welfare funds of about $4bn a year and receives hundreds of millions of dollars from rebates of federal excise taxes and duties collected on exports such as rum.

Advocates of the status quo argue that Section 936 – the future of which is being debated by legislators in Washington – will be incompatible with statehood, and that as a state Puerto Rico would lose an incentive which has been the pillar of the island's rapid industrialisation. They also argue that statehood would lead the federal government, with its concerns over the deficit, to spend more through welfare payments.

Mr Baltasar Corrado del Rio, Puerto Rico's secretary of state, agrees with opposition claims that, as a state, Puerto Rico would be the poorest of the union. He argues, however, that if the plebiscite supports statehood, the US Congress would be asked to "grandfather" Section 936 for between five and 10 years after the change, and then for the island to be declared an enterprise zone with special tax incentives.

The vote is expected to be close, particularly if Puerto Ricans stick to party political allegiances. In last November's gubernatorial elections the NPP took office with 50 per cent of the vote, with 46 per cent going to the PDP and 4 per cent to the Independence party. Political leaders say, however, that they expect voters to cross party lines in considering political status.

In the final reckoning the vote will have to be strong enough to convince legislators in Washington that they should act on the result. Mr Corrado del Rio believes that, since it is a three-way contest, the winner should be accepted as the party which gets the most votes. Not every one is convinced of this.

"The result will not be binding on Congress," explained one Puerto Rican analyst. "Clearly, in such an important issue few congressmen will be moved by a result which shows 51 per cent support for statehood, particularly if there is a moderate turnout of voters. And since there are three contesting tendencies, the chances are that the winner could get less than 50 per cent of the vote. Washington would not take seriously such a result."

# British Rail privatisation fails to excite bidders

By Richard Tomkins, Transport Correspondent

THE government's plans for privatising British Rail's passenger services are in danger of being undermined by a lack of interest from would-be train operators.

Inquiries by the FT have identified 16 companies interested in bidding for passenger franchises, but the overwhelming majority are bus companies planning to operate a handful of local or regional railway services.

Most of these companies are too small to contemplate bidding for high-profile InterCity or Network SouthEast franchises because the revenue risks associated with these much larger businesses would put too great a strain on their financial resources.

As a result, the majority of the passenger service franchises are attracting little or no interest from potential bidders, so raising the possibility that the government will have to leave them in BR's hands.

The government's plan is to split BR's passenger services into 25 franchises and start putting them out to tender next year. Seven of the franchise areas are currently operated by the InterCity division, 11 are operated by Network SouthEast, and seven by Regional Railways.

Among the InterCity services on offer, the relatively small Gatwick Express service appears to be attracting a degree of interest, but the larger operations appear to have been targeted by only three companies – Sea Containers, the Bermuda-based shipping group; Mr Richard Branson's Virgin Group; and Badger Rail, part of the Badgerline bus group.

Of these, Virgin says its only interest is in bidding for the East Coast main line as part of a larger consortium, and Sea Containers, which wants to bid for the Great Western main line, is in danger of disqualifying itself by insisting that it should take control of the tracks as well as the trains. Badger Rail, also interested in the Great Western main line, may well prove too small to take it on.

On Network SouthEast, the only franchise areas so far attracting interest appear to be the South Western division comprising routes out of London Waterloo; the London, Tilbury & Southend line; and the 8½-mile Isle of Wight railway.

Elsewhere, almost all the interest in privatisation appears to be coming from bus companies wanting to take over rail services in their area and integrate them with their bus operations.

Transport ministers say concern about the apparent lack of interest is unfounded because at the very least, management-employee buy-out teams will emerge as bidders for most of the franchise areas.

But private sector bus companies say buy-out teams will find it difficult to secure the necessary financial backing to bid for the larger businesses because of the risks involved.

## Bus companies dominate field for rail franchises

### Overseas interest confined to Canadian Pacific and Burlington Northern, reports Richard Tomkins

FOR MONTHS the government has maintained that at least 50 companies are interested in bidding for the franchises to operate BR's passenger services. For it is self-evident that privatisation will fail if nobody in the private sector wants to run the trains.

Yet extensive inquiries by the Financial Times among airlines, shipping groups, bus companies and other transport-related businesses in the UK and overseas give a conflicting impression, with barely a third that number of companies looking at just a handful of local services.

As for overseas interest, Canadian Pacific is only interested in the Heathrow Express, and only Burlington Northern of the large US railroads seems even vaguely interested in franchising.

And contrary to popular myth, SNCF, the French national railway, says it is facing too many financial problems at home to consider a foreign adventure: "We have the knowhow but we don't have the money," it says.

Easily predominant among the companies that are interested in railway privatisation are British bus companies, which have themselves only recently emerged from the privatisation and deregulation.

The three biggest of these – Badgerline, British Bus and Stagecoach – are each considering bids for franchises falling broadly into their areas of operations. Many smaller bus companies, too, are looking at the possibility of bids for individual lines or groups of services in their areas.

The logic behind these bids is that bus companies believe they can increase revenues from the railways by integrating train services with their bus operations through common ticketing and co-ordinated timetabling. Yet this idea of integration simultaneously poses the very real danger of intervention by the Office of Fair Trading on the grounds that a local monopoly would result.

This would matter less if the bus companies were thinking of bidding for operations outside their areas. But most of them are not – least of all for the very big InterCity and Network SouthEast franchises, which would dwarf their existing operations.

Mr Harry Blundred, chairman of Exeter-based Transit Holdings and one of the most entrepreneurial of the new breed of bus operators, says: "It seems to us that if you make one tiny mistake in a business you don't know, you could be in all kinds of trouble. We have looked at it and backed off."

Few other companies seem ready to take the bus companies' place as bidders for the large franchises. British Airways says it is only interested in running airport expresses. Mr Richard Branson's Virgin Group has already lost interest in the Gatwick Express and now only wants to run the East Coast main line as part of a consortium. National Express says the bids it wants to make would probably break the government's rules, though it declined to elaborate. So would those being contemplated by Sea Containers, which wants the government to let it run the tracks as well as the trains.

The government has consistently refused to identify the 50 companies on its list, citing commercial confidentiality. But according to some in the private sector, the reason for the discrepancy between that figure and the reality lies in the fact that the government's list includes banks, construction companies and other interested parties who simply want to keep in touch with what is going on.

**WHO WANTS TO PLAY TRAINS AFTER RAILWAY PRIVATISATION**

| | Company | Present business | Interested in: |
|---|---|---|---|
| 1 | Badger Rail | Rail subsidiary of Badgerline bus group | South Wales and West region; Great Western main line |
| 2 | British Airways | Airline | Gatwick Express; Heathrow Express; other airport services |
| 3 | British Bus | Salisbury-based bus group formerly known as Drawlane | London, Tilbury & Southend line; North West region; possibly Gatwick Express |
| 4 | Burlington Northern | US railroad | Unspecified |
| 5 | Canadian Pacific | Canadian railroad | Heathrow Express |
| 6 | EYMS Group | Bus company trading as East Yorkshire Motor Services | Hull-Bridlington-Filey-Scarborough line |
| 7 | Go-Ahead Northern | Gateshead-based bus company | Local services in Tyneside area |
| 8 | Grampian Regional Transport | Aberdeen-based bus operator | Local services in Aberdeen area |
| 9 | MTL Trust Holdings | Holding company of Merseybus | Merseyrail electric services |
| 10 | National Express | Express coach operator | Unspecified, but three possible bids could include Gatwick Express |
| 11 | Rider Group | Operator of Yorkshire Rider bus services | Local services radiating out of Leeds |
| 12 | Sea Containers | Bermuda-based shipping group | South Western division of Network SouthEast; Great Western main line |
| 13 | Southern Vectis | Isle of Wight bus company | Isle of Wight railway, in consortium with Wightlink and Hovertravel ferry operators |
| 14 | Stagecoach Rail | Rail subsidiary of Stagecoach bus group | ScotRail; South Western division of Network SouthEast |
| 15 | West Midlands Travel | Principal bus operator in West Midlands | Local services in West Midlands |
| 16 | Virgin Group | Airline, records and radio | East Coast main line, but only as part of consortium |

## Britain in brief

### Fall in M4 shows upturn may be weak

**Demand for new credit is weak, according to money supply data issued yesterday which indicate the upturn will be fragile.**

**The M4 measure of the money supply, which takes in bank and building society deposits and notes and coins in circulation, showed in June its biggest monthly fall since the Bank of England started records in 1982.**

**The Bank said the M4 figure was distorted partly by the system for seasonal adjustments, which tends to depress money supply numbers in the third month of every quarter when lending institutions charge interest.**

**Another factor pushing down M4 was high sales of gilt-edged securities in June. Meanwhile new commitments by building societies to mortgages recovered in June from a fall the previous month. The figures gave further evidence that the housing market recovery remains muted.**

### Bid to buy Scots mines

A group of former coal managers, industrialists and union leaders are heading a company which has been formed to try to buy the Scottish coal industry.

Mining Scotland is pressing the government to separate British Coal's Scottish assets from the rest. It wants to buy both the deep mine and opencast assets.

### Dan-Air deal under attack

**The government has damaged the UK's ability to stop anti-competitive airline mergers in the European Community by allowing British Airways to take over its rival Dan-Air last year, Mr Christopher Chataway, chairman of the Civil Aviation Authority, said yesterday.**

**Mr Chataway, a former Conservative minister, said the deal should have been referred to the Monopolies and Mergers Commission. "The approval will not make it easier for the UK to argue for a strong competition policy within the EC".**

**BA said yesterday: "If the merger had not been approved when it was, Dan-Air would have disappeared overnight.**

**"We do not believe refusing this merger would have been in the best interests of the travelling public, Dan-Air or its staff."**

MAASTRICHT

# Ulster MPs hint at deal on treaty

By Lionel Barber in Brussels and Ralph Atkins in London

### Complex deal struck in Brussels may be linked to winning crucial support for John Major in this week's vital Commons vote on the Maastricht Treaty and the UK status of the Social Chapter

NORTHERN IRELAND'S Unionist MPs yesterday gave the strongest hints yet that they are prepared to strike a deal with ministers which could help avoid a government defeat over the social chapter in Thursday's crucial vote in the House of Commons.

The nine Ulster Unionist MPs reckon their votes may well determine whether the government is defeated on the vote.

But the expectation at Westminster is that no agreement would be reached until hours before the vote when the government would calculate if it was worth brokering for the support or abstentions of the nine Ulster Unionist party MPs.

The government's campaign to secure Ulster Unionist support may be linked to a complex deal struck with Brussels over Northern Ireland's share of special EC assistance funds.

In the early hours of yesterday morning, the UK government mounted a desperate effort to preserve Northern Ireland's share of special EC assistance reserved for poorer areas of high unemployment.

EC officials said the UK campaign appeared driven less by a desire to secure extra money to sweeten the Ulster Unionists, but more by a fear that Northern Ireland's position could be squeezed vis a vis Ireland.

Ireland is the biggest per-capita beneficiary of the Community's special Objective One assistance. In the previous round, the Dublin government received 2-2½ times more funds a head than Greece, Portugal and Spain, which make up the "Poor EC Four".

This amounted to around Ecu1,000 (£757) an Irish head over the past five years – at least double Northern Ireland's share.

The UK argued, apparently successfully, that the gap between the Irish Republic and Northern Ireland was likely to grow even further as a result the 1994-99 EC budget deal which includes a pot of Ecu15.5 bn known as a Cohesion Fund for the Poor Four.

Mr Jacques Delors, president of the European Commission, agreed to take account of the UK demands to preserve Northern Ireland's position. He offered assurances that the UK would receive Ecu2bn, the bulk of which is to be divided between the poorest regions: the Highland and Islands, Merseyside and Northern Ireland.

Besides extra regional aid, terms for a deal between the Unionists and the government could include the setting up of a Northern Ireland select committee, more powers for local councils in the province, better scrutiny of Northern Ireland legislation in the Commons and a commitment on Northern Ireland's constitutional position.

Although there appears to be no formal "shopping list", the party's MPs had little inhibition in setting parameters for any deal.

● Senior Liberal Democrats agreed last night that the party's 21 MPs should vote against the government on both of tomorrow night's votes.

This was in spite of a suggestion made on Monday by Sir Russell Johnston, Europe spokesman for the centrist third party, that they should support the government motion on the second vote if Labour's amendment backing the social chapter falls.

# British Airways sets up first private credit union

By Gillian Tett

BRITISH AIRWAYS has created the UK's first private sector credit union in a move expected to encourage more companies to offer banking services to their employees.

The credit union, which was registered with the Registry of Friendly Societies in June, comes into full operation at the end of the month.

It hopes to attract several thousand members, and eventually offer a full range of financial services, possibly including mortgages, cheque books and credit cards.

Although credit unions in countries such as the US, which has more than 60m credit union members, are currently permitted to offer these banking services like credit cards, British credit unions are barred from doing this.

But a rapid expansion in the British credit union movement, which has seen its membership and assets grow by some 40 per cent over the last year, is fuelling demands that British credit unions be allowed to operate along US lines.

The Association of British Credit Unions, which represents 190 of the country's 405 credit unions, is drawing up proposals for new legislation with the Registry of Friendly Societies, the sector's regulator, which it hopes to put to parliament by 1994.

Mr Michael Parkinson, chief executive of Abcu, yesterday said: "A lot of credit unions now want to offer banking type facilities. We don't see why they can't – there is a lot of disillusionment with the banks and building societies now."

With the fastest area of growth now occurring among public sector employee credit unions, which represent some 60 per cent of the £30mn assets controlled by Abcu, a significant shift was occuring in the role and image of credit unions, Mr Parkinson added.

Although credit unions had originally made their name by providing a banking system for poor people, most members were now using them as an additional means of banking, he said.

At present credit unions are not allowed to charge more than 1 per cent interest on loans, or 12.68 per cent APR – a rate that is considerably cheaper than most bank loans.

Members of the credit union are not allowed to borrow until they have saved for three months, and in most cases can only borrow up to two or three times the level of their savings, with the maximum level of loan stipulated to be £5,000, on top of current savings.

Although, in line with their non-profit-making philosophy, credit unions do not officially pay interest, and can only use their members' savings as assets, they can pay dividends of up to 8 per cent per annum. Some credit unions have recently conducted agreements with other financial institutions to offer insurance and other discounted financial services.

## LEGAL NOTICES

**NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTION 10(7) OF THE TELECOMMUNICATIONS ACT 1984**

Licences to run telecommunication systems under section 7 of the Telecommunications Act 1984 granted to Energis Communications Limited (formerly Telecom Electric Limited), Scottish Hydro-Electric plc and City of London Telecommunications Limited.

1. The Secretary of State hereby gives notice:

   a. that he has duly reconsidered the proposals in respect of which he published a notice on 18 February 1993 under subsections 8(5) and 10(6) of the Telecommunications Act 1984 ("the Act") regarding his intention to grant licences under the Act to Scottish Hydro-Electric plc ("Scottish Hydro") and Telecom Electric Limited (which changed its name to Energis Communications Limited on 25 March 1993) to run telecommunication systems throughout the United Kingdom and to City of London Telecommunications Limited ("COLT") to run telecommunication systems in London and its vicinity;

   b. that he has granted such licences ("the Licences") to Energis Communications Limited, Scottish Hydro and COLT (together referred to as "the Licensees"), being licences which include conditions such that section 8 of the Act applies to them, thereby making the Licensees eligible to have the telecommunications code contained in Schedule 2 to the Act applied to them under section 10 of the Act;

   c. that he has applied the telecommunications code ("the Code") to the Licensees subject to certain exceptions and conditions. The effect of these exceptions and conditions is that the Licensees have duties:

      i. to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground;

      ii. to comply with conditions designed to ensure efficiency and economy on the part of the Licensees, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of their apparatus;

      iii. to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and, where appropriate, English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;

      iv. to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the Licences to the powers under the Code; and

      v. to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.

2. The Secretary of State has applied the Code to the Licensees:

   a. because the Licensees will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the Licences;

   b. subject to the exceptions and conditions referred to above because they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensees can meet (and relevant persons can enforce) liabilities arising from the execution of works.

3. The Secretary of State has granted the Licences because he considers that they will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.

4. The Licences have been granted for a period of 25 years in the first instance and are subject to revocation by the Secretary of State on 30 days' notice in the circumstances specified in the Licences.

5. Copies of the Licences may be obtained from the Office of Telecommunications (Library), 50 Ludgate Hill, London EC4M 7JJ, price £12.00 (price £10.00 for COLT's licence), postage and packing free.

Miss J M Knight
Department of Trade and Industry

## MANAGEMENT

# Tricky nature of selling service

Quality is popularly linked with the idea of excellence or achieving the best. It is often associated with expense and luxury.

This traditional definition of quality has been joined by one of practical relevance to business. As a goal for managers it consists of meeting the customer's requirements or making a product which is fit for its purpose in the most cost-effective way.

A medium-priced watch may lack the Swiss hand-crafting which goes with a leading model. But it must keep accurate time and retain an attractive appearance.

BS5750/ISO9000 takes the idea of quality and extends it to the systems by which a company is managed. It assumes that the customer does not just want a watch to suit his purse. He wants his inquiry dealt with rapidly and his order processed as quickly as possible. The company wants its employees, materials and tools to be in the right place at the right time to reduce costs.

If something goes wrong the customer wants his complaint dealt with speedily and the company wants to trace the problem and prevent it recurring. By building quality assurance into a company's entire process, the need for quality control at the end of the production line – when rectifying mistakes is most costly and least effective – is reduced.

Before looking at the requirements of the standard, businesses must confront the sometimes confusing numbering system of its different parts. The core is BS5750 part one (which corresponds to ISO9001) which applies to businesses that design and develop their own products, as well as making, installing and servicing them.

Part two (ISO9002) is applicable to businesses which do not carry out their own design work but which make to a customer's requirements or to a published specification. Part three applies to businesses where final inspection and testing of the product or service are enough to assure quality. There is also an unnumbered part known as the "registered stockists scheme."

The standard includes sections dealing with:

- Management Responsibility, which describes how a company should draw up an organisation chart to show the responsibilities of all staff who manage or carry out work associated with the quality of service. It requires quality procedures to be documented.
- Contract Review, which defines and documents the customer's requirements and establishes that the resources needed to meet them are available.
- Process Control, which requires the documentation of how the process is to be carried out. Written instructions must be given to the employee involved where appropriate and the process must be monitored.
- Document Control, is the most common cause of companies failing to achieve certification at their first attempt. It requires quality and procedure manuals to be kept in designated locations. Unauthorised copies must not be circulated and changes to the system and manuals must be logged.

Companies which obtain their certificate can display the logo of the certification organisation. If the certifier has been accredited the logo will be accompanied by the "tick" of the National Accreditation Council for Certification Bodies.

## Controversy over a BSI standard threatens to discredit the issue of quality, writes **Charles Batchelor**

# A victim of its own success

David Franklin had been supplying one large supermarket with air fresheners for 14 years. Suddenly, he was given three months' notice that unless his south London company registered for BS5750, a quality management standard, it would be dropped from the supplier list.

"It would have cost us £4,000 to obtain BS5750," says Franklin, managing director of the company which bears his name. For a business with turnover of £750,000 and a workforce of only seven, he says, the quality standard would have been an unnecessary burden.

Fortunately, Franklin was able to convince the supermarket buyer that the standard would not mean a better product but would push up his costs. The buyer backed off but Franklin knows other businessmen who have not been so lucky.

Companies around the country have been coming under pressure from their customers to conform to BS5750, frequently after many years of trouble-free dealings.

BS5750 was launched in the late 1970s to improve the poor quality image of British industry and was taken up in Europe as EN29000 and around the world as an international standard ISO9000. But it now threatens to damage the reputation of the British Standards Institution (BSI), which created it, and more importantly, discredit the issue of quality across a large sector of British business.

The furore over BS5750 has forced BSI to set up a special committee to review the problems caused to smaller companies. It is looking at ways of simplifying the implementation of the standard for small firms and reducing costs.

So concerned has BSI become at the growing controversy that last week it made the first of a planned series of presentations to the press to explain the standard and the role of BSI.

"I want to clear the air because there are a lot of misconceptions about BSI and its terms of reference," said Viv Thomas, BSI chairman. "BS5750 is a national asset which BSI designed and exported around the world."

Setting quality standards for your suppliers is nothing new. The Ministry of Defence and the nationalised industries have long had codes and guidelines to ensure they got value for their large purchasing budgets. BS5750 was launched in 1979 to establish some common standards and to extend the idea more widely throughout industry.

Ironically, BS5750 has become a victim of its own success. Initially it was taken up by large companies which could cope with the formal systems involved and the large volumes of paperwork but it has since spread to smaller firms. It has been enthusiastically adopted by organisations as diverse as manufacturers, accountants, chambers of commerce, schools and police stations.

The controversy surrounding BS5750 has caught BSI unprepared. It is used to writing industry-specific product standards – covering the durability of fitted kitchens and the strength of motor cycle helmets. BS5750 was the first of what are known as "horizontal" standards, applicable across a broad swathe of industry.

It has come at a particularly difficult time for BSI. The organisation is half-way through a programme to make it less bureaucratic and more commercially minded. The strains created by this process led to the surprise resignation of its chief executive, Michael Sanderson, last month.

It has also coincided with a government review of BSI, the desirability of continuing to subsidise the organisation and the issue of standards writing in the UK.

Unlike the product standards which BSI routinely produces in their thousands, BS5750 is a measure of quality procedures and much more open to individual interpretation. It measures the consistency of a business's systems for dealing with customer orders, purchasing, stock control, manufacturing (or providing a service) and delivery.

BS5750 is intended as a readily recognised guarantee of a company's quality assurance standards so that customers do not have to carry out their own assessment and suppliers avoid being swamped by inspection visits. But one critic, Trevor McCarthy, who has worked with companies registering for BS5750, says companies should write their own, brief, quality manuals and use inspection visits as a way of impressing potential customers.

BSI and many of the 22,000 UK businesses which have registered for the standard refute the criticisms of BS5750. It allows companies to reduce waste, increase productivity and obtain a competitive advantage, says Thomas.

One engineering company with turnover of £1m and a workforce of 35 saved thousands of pounds and achieved a big improvement in customer relations when it tightened up its procedures for maintaining and updating its engineering drawings. Before obtaining BS5750 and taking greater care with its drawings it would turn out parts to an obsolete specification and have to scrap the consignment.

Arranging for the proper storage of tools saved employees of the same company lost time previously spent hunting in corners and under benches for a mislaid piece of tooling.

"We have had a positive feedback from 20 companies for every company with a negative experience," comments Thomas. A survey of more than 2,300 companies which had qualified for BS5750 by Pera International, a research and consultancy group, showed that 89 per cent reported improvements to operational efficiency, 76 per cent obtained a marketing benefit and 48 per cent an improvement in profitability.

But other surveys have revealed a more critical view of BS5750. Only 8 per cent of managers rated their quality initiatives a total success – due to a shortage of resources and a lack of commitment by top management – according to an Institute of Management study. A survey by IBM Consulting Group to determine whether British companies were up to "world class" standards showed that possession of BS5750 made no difference unless it was part of a wider quality programme.

Concern about BS5750 has arisen for several reasons:

- It is frequently mistaken for a guarantee of product or service quality. Companies which took up the standard in the early 1980s understood the distinction but this has been lost as its use has become more widespread. "With hindsight we should have kept up the awareness campaign," comments Derek Prior, BSI's communications manager. BS5750 has even started to appear on consumer product labelling, with the implicit suggestion that it is a quality mark.
- It sets no formal, standard criteria because quality management systems are infinitely variable depending on the company, its activity and procedures. When Toshiba's copier division launched a programme to persuade its UK dealers to register for BS5750 it debated whether to set a response time for repair men of eight or 16 hours. Eventually it decided on eight hours. But it could have set 16 hours providing it consistently met this standard. Toshiba has backed up BS5750 with a range of its own, defined quality procedures.
- It generates paperwork. Small companies in particular use simple procedures which are frequently not written down. Formalising these systems can produce thick quality manuals. When Wessex Water registered for BS5750 the documentation of its quality systems filled 164 manuals – a total of more than 22,000 pages. "But it is not all new paper," says John Snoxell, water production and systems manager. "Most should have existed before. Now it is all under control and we know where all the copies are."
- It is costly, particularly at the end of a recession, when companies' resources have been depleted. Consultants' fees could amount to £400-£500 a day for between 15 and 20 days, a total of £6,000-£10,000, though government subsidies could meet half or even two-thirds of the bill. Costs could be cut further by taking part in joint programmes run by trade associations and some consultants.

The cost of the initial assessment and monitoring over the first three years for a professional services company employing 50 people on one site could vary from £2,900 to £7,125, according to a recent handbook, Implementing Quality through BS5750/ISO9000 (By P. Jackson and D. Jackson. Kogan Page. £25).

- There is often no indication whether a company has obtained BS5750 for the entire range of its activities or for a small division employing only a few people. Companies are not obliged to be precise, although they would be legally liable if they attached it to an operation which had not qualified.
- The system for approving certification companies is in need of overhaul. Twenty six certification companies have been accredited by the National Accreditation Council for Certification Bodies, but other non-accredited organisations may also award certificates.
- BS5750 has not yet made great inroads internationally. Many countries with a good record for product quality, which BS5750's critics say is all that really matters to the customer, make little use of the standard. BSI's Quality Assurance division, one of the 26 accredited groups, has issued BS5750/ISO9000 certificates to 14,805 UK companies but to only 367 in the US, 122 in Japan and 45 in Germany. Overseas interest is increasing however, BSI says.

It is important that the controversy about BS5750 is resolved. For BSI because it has other "horizontal" standards in the pipeline, covering the fields of environmental management and total quality management. And for business because, in the longer term, the move towards more formal quality systems appears inevitable. Increasing cross-border trade will boost demand for standards which are acceptable around the world.

**What does BS5750/ISO9000 involve?**


Who in the company is responsible... What does the customer want... Managing the design... Keeping the documents in order... Getting the purchasing right... Keeping an eye on the process... Inspecting and testing... Watching out for the rogues... Making sure it does not happen again...

## ● Case study: Musthave postpones plans for certification

# Mixed benefits of registration

Musthave (UK), a small haulage and warehousing company was well on the way to registering for BS5750 when business started to turn down.

Having spent "a couple of thousand pounds" on consultancy fees and two months of his time preparing the documentation, Stuart Baldock, the owner and managing director, was reluctant to scrap the project. He decided to shelve his plans for registration but to maintain the systems he had set up until demand improves. In the meantime, he says, he follows procedures which are equivalent to BS5750 even though he does not have the certification logo.

"When demand dropped off we thought 'What is the point of tying up a couple of thousand pounds when the money could be employed elsewhere?' We run all our procedures so that the certification body could come in. We will definitely go for certification when things turn up."

With turnover of £380,000 and a workforce of 20, the St Neots, Cambridgeshire company is typical of smaller businesses which have had to weigh up very carefully the costs and the benefits of registration.

Stuart Baldock: watches every penny

Baldock does not believe that conforming to BS5750 procedures has yet saved him any money. "I run the business so I can watch every penny. I sign all the cheques and can make sure that the customer gets what he wants 99.9 per cent of the time," he says.

What the quality standard does do is "minimise the potential for cock-ups." It defines everyone's job and imposes a procedure for handling customers from the moment the telephone rings through to processing the orders, Baldock explains.

Even so Baldock believes BS5750 is probably more relevant in the larger company, where departments do not communicate so easily with each other.

Introducing BS5750-style procedures is not the end of the matter. It requires the company's quality representative, in Musthave's case it is Baldock himself, to keep a close eye on the way the system is running.

"Someone has to be on top of it all the time," he says. If people on the shop floor discover a better way of doing things then the system can be changed. But sometimes people are reluctant to report changes. The quality representative has to make sure that shopfloor practice is not out of line with the procedures which are recorded in the quality manual or modify the manual.

Despite the commitment Baldock has made to BS5750 he is ambivalent about its benefits for the smaller, owner-managed business. "When business dropped off we decided to concentrate on saving money," he says. "In our business you can't put your rates up to cover the extra costs involved."

## ● Case study: ISS Belgium sees levels of new business grow

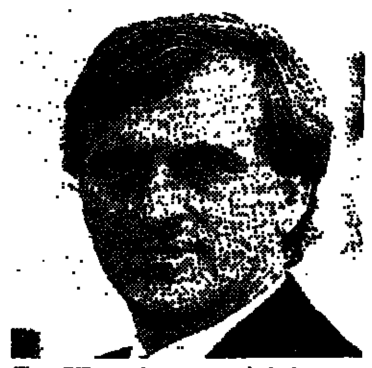
# A guarantee of satisfaction

The marketing potential of a quality assurance standard is well illustrated by the experience of ISS Belgium – that country's second largest contract cleaning company and part of the international, publicly quoted ISS group, writes Tim Dickson.

Obtaining ISO9000 last May was one stage in a much wider quality programme which ISS Belgium's managing director Theo Dilissen claims has transformed customer perceptions and made an impact on his bottom line.

It quickly became clear to Dilissen when he was appointed in July 1989 that the best way to increase turnover was to reverse the old acquisition strategy and concentrate on organic growth. "Contract cleaning is essentially a commodity business and buyers are largely interested in price," he explains. "We wanted to promote a service-based culture which would distinguish us from our competitors."

Market research demonstrated the real problem was the poor image of the contract cleaning industry as a whole. "There was a general feeling of scepticism about the services offered by us and our competitors."



Theo Dilissen: has reversed strategy

Training for first line managers and cleaning staff is a key element of the ISS approach, but Dilissen was convinced right from the start that ISO9000 certification would represent a customer guarantee. "It does not guarantee good performance in itself," he says. "What it does is imply that the quality standards you have agreed with your customer will be kept. It's an assurance particularly during the upheaval which happens when a customer is changing his contractor."

A survey of 500 professional buyers by ISS Belgium earlier this year demonstrated that the company's name awareness had risen to 44 per cent from 5 per cent in 1989. Its link with the ISO certification was recognised by 83 per cent of respondents and 65 per cent said the quality standard was "a significant advantage".

Even more important, the levels of new business gained each year leaped dramatically, from BFr25m-BFr35m a year before 1989 to a projected BFr230m (£4.3m) in 1993. Operating profits rose 70 per cent in 1992 and are expected to increase a further 29 per cent this year. ISS Belgium has total turnover of BFr1.6bn and 2,200 employees.

The Belgian example is seen as a model within ISS Europe, whose chief executive Waldemar Schmidt believes ISO9000 "communicates professionalism". He says that in the UK "we can't use it as a marketing tool because everyone else has it", but implies that the company can steal a march on competitors elsewhere in Europe.

# BUSINESS AND THE ENVIRONMENT


Contemplating the Po: over the past three decades the river has become synonymous with pollution

## And polluted flows the Po

### Agricultural waste has taken its toll of Italy's main waterway, writes **Haig Simonian**

This is the time of year when thousands of tourists descend on Italy's Adriatic coast, one of Europe's holiday magnets, and hotels from the Venice Lido to Rimini start raising prices and dusting off "full up" signs.

Few on the packed beaches will be bothered much about the state of the Adriatic. The disastrous summer of 1989, when an invasion of algae blackened beaches and left hoteliers facing ruin, has been long forgotten.

But although less conspicuous than in the past, water pollution remains the Adriatic's Achilles heel. Italian scientists do not know where the algae came from and why they grew so alarmingly. Pending an explanation, local tourist bosses will continue watching the waters carefully for signs of a revival.

Most observers agree one of the keys to the problem is the River Po, Italy's main waterway and one of Europe's prime arteries. Terminating in a broad and beautiful delta just south of Venice, it passes through Piedmont, Lombardy and the Veneto – three of the country's biggest, most industrial and most heavily-farmed regions – before reaching the sea. About 37 per cent of Italian industry is in the Po basin, while the resident population is nearly 16m – over a quarter of the total.

In the past three decades, the Po has become synonymous with pollution. Big riverside cities, such as Turin or those nearby, like Milan, have used it as their dustbin. Urban sewage, though treated, has not always been up to standard. At smaller towns and villages along the river, enforcement has sometimes lapsed.

Many big businesses also depend on the Po as a free resource or a drain. Cooling water from riverside power stations drives up river temperatures, harming what marine life is left; environmentalists warn that dumping rules are far from foolproof; while industry adds a potent cocktail of phenol, solvents and toxic metals.

But the biggest pollutant is agriculture, according to Roberto Passino, the man in charge of the authority for the Po basin, the main watchdog over water quality and the riverside environment.

The Po valley is Italy's biggest stretch of flat land, making it ideal farmland in a largely mountainous country. Agricultural traditions stretch back for centuries; the rice-fields around Pavia have even influenced northern Italy's cuisine, with risotto as popular as pasta.

Rice growing is one of the worst offenders, says Passino. The pressure to remain competitive against cheaper Asian producers means that farmers use pesticides heavily to control crop damage and improve yields.

Pesticides, weedkillers and fertilisers pervade north Italian agriculture. Farmers have started cutting back to save money, but much damage has already been done, he says. The worst has come through chemical seepage into the water table, affecting local drinking water. About 70 per cent of drinking water in the Po valley comes from underground reserves. Chemicals have also found their way into the Po, damaging water quality along the river and eventually the Adriatic.

However, it is livestock, not farming, which represents the greatest threat, warns Passino. The surge in pig farming in the past 30 years has triggered a vicious circle of pollution. While the size of herds has soared, the amount of space available has remained virtually constant. "The quantity of waste produced is immense", he says. Though some can be used as natural fertiliser, that is only a fraction of the total. Chemical treatment – the main alternative – has been limited so far and is not always adequate. Transportation, another option, is expensive and potentially hazardous because of accidents.

Breeding pigs is part of local culture, particularly around Parma. But the industry has grown exponentially through its own growth and the rise in diary farming.

Reggio Emilia, next door to Parma, is synonymous for Italians with Parmesan cheese. As dairying expanded, farmers looked for profitable sidelines for waste dairy products. Pigs provided the answer.

No one is talking about closing down pig breeders or doing away with Parmesan, Passino stresses. But other countries with heavy concentrations of livestock farming, such as the Netherlands and Denmark, have pursued much more interventionist policies to ensure breeding is distributed more evenly around a region.

In spite of the challenges facing the Po, Passino tries to remain optimistic. "It's not true that it's a grossly polluted river – though there are sections which are especially bad. The Rhine is much worse. What I say is that it could be much better than it is."

Creating the authority was a big step forward. "For the first time, we are putting people round a table and getting them to work together. Our main function is to prepare a plan for the Po and then supervise its implementation", he says. "First, we need to think about how feasible various steps might be, then start talking about implementing them."

One strategy will be to persuade farmers to use chemicals more sparingly. He has four immediate suggestions to change agricultural attitudes:

- Greater price controls over pesticides and weedkillers to deter excessive use.
- Better weather information for farmers, so that repetitive use of chemicals – necessary after an unforeseen rainstorm – can be minimised.
- Enforcing charges for the use of water, which is now virtually free, to limit the use of chemicals.
- Moving away from single-crop farming, which weakens the soil and requires greater use of chemical fertilisers to raise yields.

And the Adriatic? Passino, one of Italy's leading experts on water quality, says it has always suffered from pollution. "Pollution in the Po is certainly a contributor. But it's not the only one, and it's not the single most important factor."

In time, he hopes the river authority's efforts to monitor and co-ordinate regional policies will improve the water quality. But Passino has no illusions about how long it will take.

"It took 25 years to achieve the first results cleaning up the Thames", he says.

### Designers need a simple method of assessing green criteria, writes **Hugh Aldersey-Williams**

## A clearer path through the numerical maze

European companies tend to put the cart before the horse when it comes to making their activities environmentally cleaner. Only a small part of their efforts goes towards ensuring that their products are designed from the start to meet "green" criteria, as well as be attractive and useful.

Yet designers can make a positive contribution to environmental improvement. Despite accusations that its members tend to encourage consumption and built-in obsolescence, the design profession appears keen to help create greener products.

Designers are well positioned to advance the cause of environmentally responsible industry, since they appreciate consumers' moods and have the ear of manufacturers.

Their problem has been the tidal wave of data on the environmental impact of the many materials that designers use – 200 types of plastic alone. Designers are poor at making sense of all this. "Industrial designers are not trained to interpret information that is presented in a scientific way," according to Paul Burall, author of Green Design.

Yet these data are vital for life-cycle analysis (LCA), emerging as the common practice for assessing the environmental impact of manufacturing options.

Current waste management practices do not generally consider the manufactured product itself as part of that waste. This anomaly shows up in LCA. There is a growing belief that manufacturers should take responsibility for their products' environmental impact after sale. Germany, for example, plans legislation which will force manufacturers of electronic consumer goods to take back their products and ensure recycling.

One difficulty is to insulate often innumerate designers from the tedious arithmetic of LCA for each material they may want to use. Just as designers seldom do the stress calculations that ensure their product will not fall apart, so they should not be personally responsible for the green calculations, according to Phil Seeney of the PA Consulting Group. For complex projects, the answer may lie in product development teamwork in which an LCA expert joins forces with engineers and designers.


Using a points system designers can weigh up the merits of various metals

Meanwhile, the emphasis is on giving designers a foolproof ready reckoner for routine use. One programme aimed at developing a common LCA methodology called Milion has been developed by the Eindhoven-based European Design Centre and funded by the Dutch National Reuse of Waste Research Programme. In a pilot project, six companies volunteered to design or redesign a product according to Milion's criteria.

The results show that "environmentally elegant" products that use fewer materials and energy are possible for the same or lower production costs, a finding of interest to industry which too readily dismisses greening as an additional expense.

In Sweden, companies, including ABB, Electrolux and Tetrapak, are participating in a national programme for ecological product development. The key to their system's workability lies in the calculation of an "environmental load value" for each material or manufacturing process choice. This value is calculated as the product of an "environmental index" and the quantity of material or energy.

Each environmental index is calculated from a detailed LCA. Designers can thus use a simple constant and do not become embroiled in the theory and mathematics of the LCA itself. The technique can be used to compare the relative merits of steel or aluminium car body parts, for example. It takes into account the energy needed to extract the two materials as well as the quantity of material required to form the component, and the energy consumption of the car in use in both cases.

Philips, the Dutch electronics concern, has established an even simpler points system for the various materials and processes its design department might use. Each material has its figure of merit; there is another figure for the degree to which that material is from recycled sources; others for additives, glues and finishes; and still others for various manufacturing processes. The designer simply tots up the relevant figures.

Results are approximate but still useful, for example enabling comparison of environmental criteria between different countries where Philips has the option of manufacturing a product. It is important that the data be quantitative but also simple, says Philip White, in charge of environmental design research at Philips Corporate Industrial Design Centre. "Limited use of numbers is fine with designers. But with engineers anything that doesn't use numbers is suspect."



## LEGAL NOTICES

**NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984**

The Secretary of State hereby gives notice as follows.

1. He proposes to grant separate licences under the Telecommunications Act 1984 ("the Act") to East Midlands Telecommunications Limited ("East Midlands"), MFS Communications Limited ("MFS"), ScottishPower Telecommunications Limited ("ScottishPower")(1) and Torch Communications Limited ("Torch") to run telecommunication systems throughout the United Kingdom. East Midlands, ScottishPower, MFS and Torch are together referred to in this notice as "the Licensees". The licences will each be for a period of 25 years subject to earlier revocation in specified circumstances.
2. The principal effect of the licences will be to enable the Licensees to install and run telecommunication systems throughout the United Kingdom. The Licensees will be able to provide a wide range of services but excluding mobile radio services and certain international services. The licences authorise connection to a wide range of other systems including earth orbiting apparatus allowing the provision of some types of international satellite service. On securing a share of 25% or more of the market in respect of particular services in an area specified by the Director General of Telecommunications, each of the Licensees may be obliged to make available those telecommunication services to all who reasonably request them within that area.
3. All the licences will be subject to conditions such that section 8 of the Act will apply to them, thereby making each of the systems run under each licence eligible for designation as public telecommunication systems under section 9 of the Act. It is the intention of the Secretary of State to designate the systems of each of the Licensees as public telecommunication systems.
4. The Secretary of State proposes to grant the licences in response to an application from each Licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
5. He proposes to apply the telecommunications code ("the Code"), subject to certain exceptions and conditions, to East Midlands, MFS and ScottishPower throughout the United Kingdom and to Torch within the area marked on the map attached as an annex to Torch's licence extending to all or part of the counties of Derbyshire, Greater Manchester, Humberside, Lancashire, Lincolnshire, North Yorkshire, Nottinghamshire, South Yorkshire, Staffordshire and West Yorkshire. The effect of the exceptions and conditions to the application of the Code is that the Licensees will have duties:

    (a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;

    (b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensees, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of their apparatus;

    (c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and, where appropriate, English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;

    (d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in each licence to the powers under the Code; and

    (e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.
6. The reason why the Secretary of State proposes to apply the Code to the Licensees is that the Licensees will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the proposed licences.
7. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensees can meet (and relevant persons can enforce) liabilities arising from the execution of works.
8. Representations or objections may be made in respect of any of the proposed licences, the application of the Code to any of the Licensees and the proposed exceptions and conditions referred to above. They should be made in writing by 27 August 1993 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications and Posts Division, Room 2.78, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licences can freely be obtained by writing to the Department or by calling 071-215 1756.

Miss J M Knight, Department of Trade and Industry

(1) The Secretary of State announced his proposals to issue a licence to Scottish Power plc on 18 February 1993. That company has decided that the application for the licence should be carried forward by its wholly-owned subsidiary ScottishPower Telecommunications Limited.



# PEOPLE

## New md at Carlton

June de Moller was reading for the bar and had every intention of becoming a barrister – until she became completely fascinated by commerce. After various jobs in the printing industry more than 20 years ago, she joined a small printing company called Tangent Industries which was run by two brothers – Michael and David Green.

Yesterday June de Moller became managing director of the company that grew out of Tangent – Carlton Communications, the media group now capitalised at £1.46bn. She replaces Keith Edelman who was headhunted to replace David Dworkin as chief executive of Storehouse, the retail group.

De Moller has run individual divisions of Carlton, where she has been a director since 1983, but for the past two years has been in charge of corporate strategy and business development. "I think that extra experience in strategy from a more global view made the difference," says de Moller. At 46 she is a non-executive director of Anglian Water and on the board of the Riverside Mental Health Trust.

At the same time as promoting de Moller, the Carlton board has reorganised directors' responsibilities.

Thomas Epley, chief executive of Technicolor, Carlton's video cassette and film duplication subsidiary, joins the board with responsibility for group video and film services.

Nigel Walmsley, chief executive of Carlton Television, the ITV company which holds the London weekday licence, will now be responsible for all broadcasting and software businesses including Pickwick, the video producer and distributor.

Both will report to de Moller, who never did become a barrister. She will have direct responsibility for Carlton's television equipment businesses.

Bernard Cragg, Carlton's finance director, will take on the extra responsibility of strategy.

## BBC swaps Treasury ministers

The government yesterday made appointments to the BBC's board of governors which suggest that it is sticking to a status quo approach rather than making an attempt to change the make-up of the board or the role of the governors.

In the role of vice-chairman, it has swapped one former Labour Treasury minister with another.

Lord Cocks of Hartcliffe, a former parliamentary secretary to the Treasury and former government Chief Whip, takes over from Lord Barnett, former chief secretary to the Treasury, whose term of office at the BBC runs out at the end of this month.

Bill Jordan, president of the Amalgamated Engineering and Electrical Union has been re-appointed for a second five year term as a BBC governor and Margaret Spurr, headmistress of Bolton School, girls' division also becomes a governor.

The retiring governors are John Roberts of Merton College, Oxford, whose term expired in March, Baroness James, the novelist and Keith Oates, managing director of Marks and Spencer, whose terms run out at the end of this month.

Two further governors have to be appointed to bring the board up to full strength.

Lord Cocks, MP for Bristol South from 1970-1987, will receive an annual salary of £14,715 for the part-time job. The other governors get £7,360.

## Bodies politic

■ John Firth, md of Ingersoll-Rand Co Ltd, has been elected president of PNEUROP, the European technical body representing manufacturers of compressors, vacuum pumps and pneumatic tools.

■ *John Milham, md of Ibstock* Building Products, has been appointed chairman of the BRICK DEVELOPMENT ASSOCIATION.

■ Howard Chandler, group corporate affairs director of Grand Metropolitan, has been appointed chairman of the UK Committee of the BRITISH-AMERICAN CHAMBER of COMMERCE.

■ John Low, md of Ideal Homes Holdings, has been appointed chairman of the NEW HOMES MARKETING BOARD.

■ Roy Parry has been appointed chairman of the FEDERATION OF SMALL MINES OF GREAT BRITAIN.

■ Nicholas Hutton, chairman and md of Greenup and Thompson, has been appointed president of the BRITISH PRINTING INDUSTRIES FEDERATION.

■ Lord Tombs of Brailes (above left) is taking over from Sir Peter Masefield (right) as chairman of the trustees of the BROOKLANDS MUSEUM TRUST. Lord Tombs is a former chairman of Rolls-Royce and of T&N, the motor components group; among his recreations are the restoration and driving of vintage motor cars. The museum trust has restored the original clubhouse and is restoring other buildings on the Surrey site to display its collection of vintage aircraft, cars and motorcycles.

## Property

CITIBANK has appointed Nigel Kempner and Stephen Musgrave to run London Capital Holdings, a newly formed property subsidiary.

London Capital Holdings was formed when Citibank took over the assets of Randsworth Trust, after the receivership of Randsworth's parent company.

The deal, which was an unusual example of a bank taking control of a UK property company, had its origins in the 1989 £258m acquisition of Randsworth by JMB Realty, a US investment group, which was financed by Citibank. The collapse in the UK property market resulted in a large book loss for Citibank.

Kempner and Musgrave, who were directors of Randsworth between 1987 and 1993, have been appointed joint managing directors. Tony Brooks, finance director of Citibank International, has been appointed to the board, as have Stephen Karper and James Maguire, both directors of Citibank's UK Real Estate Department.

LAND SECURITIES, the UK's largest property company, has announced the retirement of William Mathieson from its board.

Mathieson, who joined the group in 1962, has been an executive director since 1987. He was responsible for Land Securities' Scottish operations in the 1960s and 1970s and for its development programme in the 1980s. Mathieson was also managing director of two of the group's property owning subsidiaries: Ravenseft Properties and the City of London Real Property company.

Keith Redshaw, a Land Securities director, will take over as managing director of Ravenseft Properties and Michael Griffiths, another Land Securities director, as md of the City of London Real Property Company.

Richard Caine, a non-executive director of Land Securities for the past 45 years, has also retired from the group.

■ Peter Jarvis, md of Balfour Maunsell, has been appointed chief executive of the MAUNSELL GROUP in the UK; he is succeeded by Russell Farraday. Ted Jenkins, UK chief executive and md of G Maunsell & Partners, becomes chairman of Guy Maunsell International; he is succeeded as md by David Gregory.

Television/Christopher Dunkley

# Long live the Heimat saga

Henry Arnold as Hermann in Edgar Reitz's masterpiece

So it is over. What are we to do now on Saturday nights? We have seen Hermann walking back down that long country road – bringing to mind the old Start-Rite ad, even though the trees were missing – towards his home village. His three vows have all been broken. He said he would never return to Schabbach. He said that after his family's cruel destruction of his ecstatic boyhood affair with Klarchen he would never love another woman. And he vowed that his only love would be music.

Now he has returned to Schabbach. He has admitted his love for Clarissa. And although he has established himself as a composer and a relatively rich man (perhaps from film scores and jingles, it is one of the practical details which never became entirely clear) his future could lie anywhere. More to the point, music is *not* his only love: people and places have exerted their power over him and the ideals of the young man who set out so long ago, as it now seems, have been re-forged on the anvil of life, in the heat of experience.

For 13 weeks we have been watching that anvil and feeling the heat. *The Second Heimat: A New Generation* was a sequel to Edgar Reitz's extraordinary and hugely successful *Heimat*. The first series told the story of a whole generation of Germans, from the first world war to the 1980s. Set in a village in the Hunsrück, it had a feeling for its period, a sense of place, and a cast of vividly realised characters which gave the serial much of the power of a soap opera. Yet its ambitions went way beyond those of any soap: its themes ranged from social history to technological development; from ambivalent attitudes towards Nazism to the meaning of patriotism and attachment to landscape. It was one of the most powerful and impressive works ever shown on television.

That first series occupied around 16 hours. The second, with 13 episodes of two hours each, lasts 26 hours and every minute of both series was – astoundingly – written, directed and produced by Reitz. You might conceivably conclude that the first work was some sort of anomaly. With the second, which is in certain ways even better than the first, Reitz has proved beyond question that he has a huge talent. Furthermore if it is not unique, he has so far proved uniquely capable of getting the backing to put his work on the screen for these remarkable periods of time, enabling him to use drama to explore modern life in a way that has scarcely been attempted by anyone else.

The only British television dramatist who has tried anything vaguely similar is Frederic Raphael (*The Glittering Prizes*, *After The War*) and even Raphael's keenest fans could not pretend that his series had the same scope. Reitz's breadth of vision is Tolstoyan, and future generations will surely look to *Heimat 1 & 2* as a key work of the late 20th century.

We are told that "heimat" means much more than homeland: Reitz has said it is "the distant and yet familiar world in which memories and their images in the mind's eye are one". As the 13 episodes of *The Second Heimat: A New Generation* have flowed past, the importance of both parts of that unwieldy title have become increasingly apparent. This new series has been deeply concerned with the new Germany: the country where large businessmen drive large Mercedes, and bourgeois flat hunters queue dutifully for a rare though expensive vacant flat in Munich (illustrated with one of Reitz's typically striking images: an endless helix of clients, turning and turning up a staircase).

That is the new homeland. But the series has been even more concerned with the "new generation": the young Germans whose parents were either Nazis ("My father was a pilot; helped bomb Guernica; got a medal for it; wore it next to his heart...") or, nearly as bad in the eyes of the new generation, failed to prevent Nazism. Given that this appalling double bind is not something that British viewers have had to live with, it is amazing how universal has been the appeal of the series.

It began in 1960 with Hermann Simon, played with overwhelming charm by Henry Arnold, arriving from the country to study music at the academy in Munich. It ended in 1970 with Hermann pursuing Clarissa across Europe, to spend the night, finally, in her arms – not, characteristically for these two, in bed, but on the floor of a small Amsterdam hotel. There was a dreadful moment when it seemed that Reitz was about to have them gaze into one another's eyes, swear undying love, and wander hand in hand into the sunset across some canal bridge.

Having been so compellingly truthful for 25 hours about the ambivalence of modern sexual relations in general and those of Hermann and Clarissa in particular; having brought the character of Clarissa, played with such power and poignancy by Salome Kammer, through marriage to her cello (Reitz cast a genuine cellist in the role which paid tremendous dividends, then, by all accounts, fell in love with her and now lives with her) to partnership with Volker and a child, and finally abandonment of the cello in favour of passionate adherence to feminism – after all that it would have been appallingly cowardly to opt for a Barbara Cartland finale. But of course Reitz did not.

Such sentimentality would have been wholly uncharacteristic. Although Reitz has always conveyed his story by way of a personal odyssey (13 actually since each episode has concentrated on a different character, though Hermann, Clarissa, Juan, Schnüsschen and so on have remained central) part of his purpose has been to chart the change in moral attitudes during our lives and in this he has been impressively, sometimes chillingly, honest. From the early sixties and the tendency of students to quote Spinoza while playing the Beatles, via the era of sex, drugs and rock and roll, to "les événements" when everyone had to debate the ideology of every action, then to the violence typified by the Baader Meinhof gang, Reitz has catalogued the mores of the decade.

In contrast to the embarrassment with such matters on British television, he has been particularly successful at dealing with sex. During the episode when Hermann played Chopin while one girl rubbed ointment into the police-inflicted wound on his back, another fed him whipped cream off her finger, and a third merely gazed up at him in adoration, sexuality hung in the air like incense in a cathedral. Yet there was not a thing that Sexfinder General Lord Rees-Mogg could have put his finger on. In another episode where Hermann and Schnüsschen made love while baby-sitting the sexual atmosphere was jokey, delightful and matter-of-fact in a way that is impossible to imagine in a British television drama. It really was, in that over used phrase, true to life, as was so much of this huge work.

Yet *The Second Heimat* was no documentary. The reason why Saturday nights will seem so empty now is that, like every great creator of fiction, Reitz created a wholly convincing world that we could opt into. For 13 weeks we have lived with Hermann and Rob, Helga and Stefan, the tragic Reinhard, and even little Lulu, Hermann's daughter who ended up with a definite character of her own. Reitz's genius is not that he has recreated so accurately some of the key social and ethical landmarks of our lives, but that he has done so as the background to a gripping story about people who have sometimes seemed more real than our own friends.

Whenever Reitz wants to take Hermann and Clarissa, Elisabeth and Trixi on into the 1970s it cannot be too soon.

Theatre

# Lust

After the spectacle of *Sunset Boulevard*, here is a return to a jollier, much more old-fashioned kind of musical. Not since Sir John Vanbrugh's *The Relapse* became *Lock Up Your Daughters* over 20 years ago can there have been such a successful putting of a restoration comedy to song.

*Lust* is based on William Wycherley's *The Country Wife* and is every bit as lewd as the original, possibly lewder. Far more than that, however, the show is huge fun from beginning to end. *Lust* is perhaps a slightly misleading title, for there *is* nothing remotely sinister about it. This lust is thoroughly healthy.

The time is given as 1661. King Charles II has just been crowned, the characters throw off their puritan garb and the restoration is under way. So is the music which almost never stops. The borrowings by the Heather Brothers and the musical director, David Firman, are absolutely shameless, but glorious. There is a touch of Mozart, a bow to Gilbert and Sullivan, homage to Elvis and a recurrent fling with the tango. No attempt is made to present the music as a coherent whole, but it does not matter in the slightest. If it is a good song, put it in. Some of the songs in *Lust* are very good indeed.

There is also a wonderful part in Horner. This is the character in Wycherley's play who pretends to have been castrated in order to increase his access to the ladies. Here he is played by Denis Lawson as a superbly handsome, romantic-looking Don Juan with long flowing locks and tremendous physical agility. Lawson can sing as well: notice his "I Live for Love."

Yet this is not a pretentious show. In the era of the spectacular, it comes as a pleasant treat that the most extensive and perhaps the most expensive prop is simply a large four-poster bed. Lawson sings in it, swings on the horizontal bar and, of course, is caught in it. There is a marvellous vignette when hanging from the bar, his trousers just being removed by Lady Fidget, the couple is surprised by a potentially jealous husband. Almost with one bound, at least of the imagination, he is free.

Alastair Muir

Denis Lawson and Sophie Aldred

Some of the parts are an improvement on the original, notably Quack, the doctor who keeps up the pretence that Horner really has turned into a eunuch and carries the evidence to prove it. Played by Paul Leonard, this Quack is a servant to his master in the best Don Juan tradition.

Apart from the lust, there is love. Helen Hobson's Alithea, sister to Pinchwife, the excessively jealous husband, has a fine romantic song in "Come Tomorrow". And there are jokes: a splendid number called "China", which is not about China at all, neither the place nor the substance.

The direction is by Bob Carlton and the Haymarket is just the right theatre for a piece that may seem modest in its aims and staging, but is vastly more enjoyable than most other musicals. *Lust* is a triumph of getting the basics right: acting, music and a good plot.

**Malcolm Rutherford**

Theatre Royal, Haymarket (071) 930 8800

Ballet/Clement Crisp

# Le Corsaire

The Kirov brought *Le Corsaire* into the season's repertory on Monday night. It is a preposterous, jolly staging. The corsair's vessel sails under the flag of convenience of "Petipa", but its real identity is *Carry on Slave-trading*. The ballet's relationship to any historical antecedents is, shall we say, tenuous. Many editorial hands have been at work on production and score – what we see is nearer Indiana Jones than Byron. Amid piratical goings-on, lovely girls, Pashas, and a squad of Turkish troops who have fed too well on rahat loukoum, there are fascinating set pieces of choreography that have survived from Petipa's recensions of this celebrated 19th-century spectacular. They are surrounded by manic scenes that the Kirov artists play tongue-in-cheek, treading with supreme skill a tight-rope between emotional extravagance and farce. The staging, like its spatch-cocked score, makes no sense other than as an excuse for the company to have fun and then grip us with tremendous classic dancing. I don't think it is *Le Corsaire* – but I don't know what else to call it, and I enjoy every minute.

Chief pleasure on Monday was Konstantin Zaklinsky as the slave-trader Lankedem. Zaklinsky is a spiffing comedian. Under the handsome trappings of the premier danseur there is a fortunately ill-hidden farceur. Whether chaffering over slave prices in the first scene or persuading the heroine to administer a Mickey Finn in a ludicrous bunch of flowers to the infinitely boring hero, Zaklinsky is a joy. He knows exactly how too-far to go, and in a cast more sober-sided than the piece deserves, he was a beacon of physical wit and of the light-hearted manner that must keep the drama alive.

The hero, Conrad, is a thankless role, but not as thankless as Alexander Kurkov showed us. His side-kick Ali – whose reward in life is the tricky bits in the famous pas de deux, which turns out to be a pas de trois, with Conrad as the *mari complaisant* – was Farukh Ruzimatov. His locks more tangled than heretofore, and looking as if he were in search of a production of *Hiawatha*, Ruzimatov struck serpentine poses and gave us self-parody rather than performance. Yulia Makhalina was the heroine, Medora, very brilliant in technical effects, the conquering virtuoso ever in search of challenges. She provides dancing of aggressive virtuosity, and Medora's character is lost in the steps. I found Irina Shapchits delightful in the second ballerina role of Gulnara. Her dancing is so sweetly, featly done that you warm to the sheer charm of her technical fluency and to the character she establishes with such gentleness.

The key to the production is the *Jardin Animé*, a classical showpiece which is well-preserved Petipa, and a beguiling reminder of his manner. Cohorts of girls in pink group themselves, bearing garlands. Fountains play. Makhalina and Shapchits nip through variations, each according to her temperament (and the contrast between bravura and grace is in itself intriguing). The prelude to the scene also offers soloist roles with more Petipa variations – in which I admired Larissa Lezhnina and Irina Sitnikova. All of this epitomises the evening: sparkling classic dance embedded in an exotic setting. And I suspect that some of Petipa's work was ever like that. It is, on any terms, worth seeing.

The Kirov Ballet continues at The Coliseum with mixed programmes until July 31

Opera/David Murray

# The Merry Widow

Léhar's operetta was the last foray this season by the Glyndebourne Festival to the South Bank. Like its earlier *Béatrice et Bénédict* and *Fidelio*, *The Merry Widow* last Sunday (two more to come, tonight and Thursday), had no pretence at staging; and like the Berlioz, it has too much dialogue in foreign-speak for a concert. The same hopeful solution was adopted: scrap the speeches, and hire an amusing English narrator to sketch the action between the musical numbers, which will be sung in the original language.

For *Béatrice* John Wells' narration was widely reported to be less amusing than facetious, intrusive and interminable. The *Widow* had different problems. The narrator's script, commissioned from Tom Stoppard, was built upon the conceit that a marginal character should recount the action whilst smugly imagining himself to be a central figure in it (cf. Stoppard's *Travesties*). There were a few clever jokes, often about the absurdities of the plot; Dirk Bogarde's arch delivery had its moments.

What the narration and the expensive programme-book failed to do, however, was to tell the audience what most of the singing was *about*. Though each number is founded neatly upon some metaphor – or a histrionic slogan, like "I am a respectable wife!" – no clues were given us. The net effect was that the verbal convolutions of Stoppard's narrator were interrupted from time to time by tunes sung to obscure foreign words.

That said, I must say also that this *Lustige Witwe* boasted an appealing international cast, and in Franz Welser-Möst a conductor thoroughly attuned to Léhar. He milked his muted strings for maximum sentiment, aptly, in the "Vilja" song and elsewhere; the LPO rose to a creditable *Schwung* in every waltz, and they and their conductor brought off their pressurised up-tempo reprises with *éclat*. The Glyndebourne Chorus were crisp and lusty (some of them stepped efficiently into minor roles too). Among the diplomatic personnel, Robert Poulton's Baron Zeta bristled brightly.

As the widow Hanna, Felicity Lott visibly enjoyed the whole performance and was coolly ravishing in "Vilja". There will be CDs for sure, and on them her soft-grained soprano will carry over the ensembles; live in the Festival Hall, however, she had not the diamond-cut edge to slice through. Her *forte* is "silvery", not vocally commandeering in the manner of a seasoned operetta star.

The tenor John Aler was properly stylish and wimpish as lovelorn Camille. His adulterous Valencienne, Elzbieta Szmytka, played the soubrette by the classical rule-book, with too little scope to display the lively creative gifts we admired in her recent Wigmore Hall recital. As Hanna's *inamorato* Count Danilo, the ultra-tall, virile, expansively laid-back American baritone Thomas Hampton might have seemed a raw cartoon; in fact he captured the airs of a classy European spiv to the hilt, lacking only a husky undertone of vulnerable feeling.

Without that, we felt no real stab of dismay when he decided to retreat to the decadent swirl at Maxim's. Yet little stabs like that are what earn halos for Léhar settings of silly stories: the plot-mechanics may creak, but he finds occasions – just often enough – to match professionally crafted tunes to honestly felt situations. In the verbose circumstances of this *Merry Widow*, we could not be struck by that as much as we might have been.

INTERNATIONAL

# ARTS GUIDE

## ■ AIX-EN-PROVENCE

This year's festival has a diverse trio of operas. Weber's Euryanthe is conducted by Jeffrey Tate with a cast led by Thomas Moser, Andreas Schmidt and Karen Huffstodt. Handel's Orlando brings together William Christie's Les Arts Florissants and a staging by Robert Carsen, with a cast led by Felicity Palmer and Lynne Dawson. Don Giovanni is revived from last year, with a cast including William Shimell and John Mark Ainsley. Among the concerts are Brahms' German Requiem (tonight in the Cathedral) and Campra's L'Europe galante (July 28 in the Archbishop's Palace Theatre). Recitalists include Gundula Janowitz, Leila Cuberli and Nathalie Stutzmann. Ends July 28 (4217 3434)

## ■ AVIGNON

Jorge Lavelli's staging of Edward Bond's Maison d'arrêt is in its final week, to be followed by another Lavelli production - Steve Berkoff's Kvetch (July 27-Aug 2). Other attractions include Sophocles' Oedipus at Colonus, staged by Ensemble Kotéba from Abidjan (July 27-Aug 1), and Tom Stoppard's Rosenkrantz and Guilderstein are Dead, performed in Russian by an Israeli company (July 27-Aug 1). This year's festival is contained within the ancient city - nothing out at Boulbon or Les Taillades - but there are recitals at the Chartreuse of music by Harrison Birtwistle, Klaus Huber and others. Ends Aug 2 (9086 2443)

## ■ BRUGES

The early music festival opens on Sat. Highlights include a performance of Carissimi's oratorio Jepthé by the Consort of Musicke conducted by Anthony Rooley, Spanish medieval music played by Hesperion XX conducted by Jordi Savall and a song recital by Emma Kirkby. Ends Aug 8 (050-448686)

## ■ BAYREUTH

Interest at this year's festival, opening on Sun, focuses on a string of debuts. East German dramatist Heiner Müller tackles his first-ever opera production, Tristan und Isolde, designed by another Bayreuth debutant, Erich Wonder. After a decade as Bayreuth's reigning Kundry, Waltraud Meier attempts the soprano heights of Isolde, while Siegfried Jerusalem tackles his first Tristan. Daniel Barenboim conducts. In Parsifal, conducted by James Levine, the new Kundry is Deborah Polaski, while Poul Elming and Linda Finnie join the cast in Werner Herzog's production of Lohengrin. Donald Runnicles returns to conduct Wolfgang Wagner's production of Tannhäuser, with a cast led by Wolfgang Schmidt, Tina Kiberg, Eike Wilm Schulte and Manfred Schenk. Giuseppe Sinopoli conducts Dieter Dorn's 1990 production of Der fliegende Holländer, with Bernd Weikl as the Dutchman and Sabine Hass as Senta. Ends Aug 28 (0921-20221)

## ■ CANNES

The annual chamber music festival organised by pianist Gabriel Tacchino includes a performance of Stravinsky's Soldier's Tale tomorrow, a violin-and-piano recital by Olivier Charlier and Brigitte Engerer on Sat and a Chopin recital by Grigori Sokolov next Wed. Ends July 30 (9298 6277)

## ■ HEIDELBERG

This year's open-air festival performances at Heidelberg Castle begin on July 28 and include stagings of Haydn's L'isola disabitata and Cav and Pag. Ends Aug 31 (Konzertkasse, Theaterstrasse 4, D-6900 Heidelberg. Tel 06221-583521)

## ■ LA ROQUE D'ANTHERON

The castle grounds of La Roque d'Anthéron, equidistant from Avignon and Marseilles, are the peaceful setting for a piano festival which has been gathering international renown since it was founded eight years ago. In this year's opening concert on July 31, Brigitte Engerer is soloist with the Novosibirsk Philharmonic Orchestra from Siberia. There are 33 concerts in all, with programmes celebrating anniversaries of Grieg, Tchaikovsky and Rakhmaninov, a cycle of Schubert sonatas on modern concert grand and fortepiano, a Debussy series using period instruments and introductions to Medtner and Corigliano. The line-up of artists includes Christian Zacharias, Nikolai Demidenko, Maria Joao Pires and Stephen Hough. Ends Aug 22 (4250 5115)

## ■ MONTPELLIER

Radio France's annual festival continues to promote off-the-beaten-track operas in concert format. This year's line-up includes Morlacchi's Barber of Seville (tonight), Zemlinsky's Birthday of the Infanta (Fri), Puccini's Le Villi (July 31) and - best of all - Reyer's grand, unjustly neglected Sigurd, with a fine cast headed by Chris Merritt (Aug 6). Other highlights include the Gustav Mahler Youth Orchestra with Abbado and Hvorostovsky, a Wagner and Respighi concert with Hildegard Behrens and a piano recital by Friedrich Gulda. Ends Aug 11 (6702 0201)

## ■ TORROELLA DE MONTGRI

The setting for this festival is a town on the Costa Brava near Spain's border with France. This year's line-up includes Katia Ricciarelli (Sat), Giacomo Aragall (Aug 4), Bohuslav Martinu Philharmonic Orchestra (Aug 12), Franz Liszt Chamber Orchestra (Aug 15 and 17), the Solomon Trio (Aug 20) and Berlin Philharmonic Virtuosi (Aug 21). Ends Aug 22 (0972-761098)

## ■ SAN SEBASTIAN

Highlights of this year's festival (Aug 16-Sep 2) include Pier Luigi Pizzi's Monte Carlo production of La traviata, the St Petersburg Philharmonic Orchestra, Spanish National Orchestra with its chief conductor Aldo Ceccato, a series of organ recitals devoted to the works of Messiaen and church concerts featuring the Hilliard Ensemble and others (Quincena Musical, Teatro Victoria Eugenia, Reina Regenta s/n, 20003 San Sebastian, Spain. Tel 043-481238 Fax 043-430702)

## ■ SANTANDER

The festival opens on July 31 with a concert by the Philharmonia Orchestra. Other visitors include Anne Sophie Mutter, the Scala Orchestra with Muti, and a bevy of Russian artists - the St Petersburg Philharmonic and Bolshoy Opera Orchestras, the St Petersburg State Ballet and the Kirov Opera, which gives performances of Don Carlo and Prince Igor. Ends Aug 31 (Festival Internacional de Santander, C/ Gamazo s/n, 39004 Santander, Spain. Tel 042-314819 Fax 042-314767)

## ■ CASTELL DE PERALADA

The gardens of this Catalan castle north of Barcelona are the beautiful setting for an annual festival of opera, dance and concerts, opening on Sat with a concert performance of Der fliegende Holländer, conducted by Friedrich Haider, with a cast led by Simon Estes, Matti Salminen and Deborah Voigt. The next event is Ballet Victor Ullate on July 30 and 31. The programme in August includes a staging of L'elisir d'amore, a recital by Anne Sophie Mutter and concerts conducted by Jordi Savall, Neville Marriner and Yuri Temirkanov. Ends Aug 23 (072-538125)

## ■ SCHLESWIG HOLSTEIN

Like a musical mosaic, the festival spreads out from Hamburg, Lübeck and Kiel to some of the most attractive towns in northern Germany, in venues with a more local atmosphere than most international festivals. There is a strong Polish influence this year, with three Polish orchestras touring the region and performances of Szymanowski, Penderecki and several less familiar compatriots. The line-up over the coming week includes the Moscow Soloists with Vladimir Spivakov in Rendsburg and Hasselburg, the Brodsky Quartet in Altenhof and Elmshorn, and the Württemberg Chamber Orchestra with James Galway in Flensburg, Haseldorf and Meldorf. Other visitors later in the festival include Anne Sophie Mutter, Shura Cherkassky, Jessye Norman and Igor Oistrakh. Ends Aug 22 (0431-567080)

**ARTS GUIDE**

**Monday:** Performing arts guide city by city.
**Tuesday:** Performing arts guide city by city.
**Wednesday:** Festivals Guide.
**Thursday:** Festivals Guide.
**Friday:** Exhibitions Guide.

**European Cable and Satellite Business TV**

(All times are Central European Time)

**MONDAY TO THURSDAY**
**Super Channel:** European Business Today 0730; 2230
**Monday Super Channel:** West of Moscow 1230.
**Super Channel:** Financial Times Reports 0630
**Wednesday Super Channel:** Financial Times Reports 2130
**Thursday Sky News:** Financial Times Reports 2030; 0130
**Friday Super Channel:** European Business Today 0730; 2230
**Sky News:** Financial Times Reports 0530
**Saturday Super Channel:** Financial Times Reports 0930
**Sky News:** West of Moscow 1130; 2230
**Sunday Super Channel:** West of Moscow 1830
**Super Channel:** Financial Times Reports 1900
**Sky News:** West of Moscow 0230; 0530
**Sky News:** Financial Times Reports 1330; 2030

## Edward Mortimer

# Limits of world order

### There is much about the UN that needs to be rethought

"If it ain't broke, don't fix it," said Mr Douglas Hurd, UK foreign secretary, last January, answering a question about the membership of the UN Security Council. The system was working well. The existing five permanent members had at last found the cohesion necessary to play the role assigned them by the United Nations Charter. So why risk paralysing the council by introducing new members, especially since it would be very difficult to know where to stop?

No doubt the case for admitting Germany and Japan was strong, based on their economic importance – though they would have to match that with a bolder and more direct role in world security if their candidature were to be taken seriously. (A pause at this point for the British and French to thump their chests: Our troops are in the Gulf, Bosnia, etc. Where are yours?)

But don't imagine that the two-thirds majority in the General Assembly required for amendment of the charter would be available for two extra permanent members from the rich north, unless the poor south's importance were also recognised. We should find ourselves enlarging the council's membership to 20 or more, and giving vetoes to problematic countries like India and Brazil, or even Indonesia and Nigeria. Where would your new world order be then?

*I paraphrase, of course.* Indeed, I caricature. But that has been the gist of the British argument for opposing change. There are two things wrong with it.

First, it is too self-serving. Britain's interest – or at least the interest of the UK foreign office – in preserving the trappings of being a great power long after the reality has gone is too obvious for the merits of the case to command attention.

The case sounded much more persuasive than it ever has in the mouths of British ministers or diplomats when, last week, it was put by a young German scholar, Marc Weller of the Cambridge Research Centre for International Law, arguing *against* his own country's campaign for permanent membership.

The second problem is that its main premise is dubious. Are we sure that the UN Security Council "ain't broke"?

It is true that the vehicle is now in motion, with one great power firmly in the driving seat, which is better than when it was immobilised by rival drivers yanking on the hand brake. But the steering column looks increasingly ropey, the needle on the petrol gauge is well into the red, and many of the passengers have no confidence in the man at the wheel. Should we wait until it has ground to a halt again, or careered right off the road, before attempting an overhaul?

**Restoring order and rebuilding society requires armies and a will to use them**

Many things about the UN *need to be re-thought*. The membership of the Security Council is only one of them, and perhaps not the most directly relevant to immediate problems. More countries with vetoes may well not be the answer, and certainly an increase in the weight of rich countries at the expense of poor ones would make things worse. If the number of permanent members is to be increased, the veto should either be scrapped and replaced with a system of weighted voting, or there should be provision for an override when the majority is large enough.

First, though, we should all think harder about what we actually want the Security Council to do. Its primary responsibility under the charter is "the maintenance of international peace and security". It has no direct responsibility for the maintenance of peace and security *within* states and it is not equipped for that task. It has slid into it for three reasons:

- War and insecurity within states have a tendency to spread across international frontiers, for example in the cases of Cambodia and Iraq.
- In many conflicts which start within states the existence of the state or its frontiers becomes the central issue, as is the case with Yugoslavia.
- Public opinion in western countries, which at present dominate the council, no longer feels that its responsibility to try to halt bloodshed stops at the frontiers of a sovereign state, since images of bloodshed and misery now leap across frontiers and oceans into every western living-room.

No man is an island. That is perhaps more true today than when John Donne said it. The urge to "do something" is natural and admirable. But to act on it is frivolous and irresponsible unless we first measure the size of the task and forge instruments capable of performing it.

To restore order and rebuild society in countries where it has completely broken down requires sizeable armies and the will to use them. It requires confiscation of sovereignty and the imposition of external rule – temporary, no doubt, but measured in years rather than months. Either a single country has to undertake this task – that was the old way, but is any country now willing to do it? – or a *supranational authority has to* be set up specially for the purpose, with procedures and chains of command carefully worked out.

If anyone asked me to take charge of Somalia, for instance, I should want a very broad mandate, authority to hire and fire all UN personnel within the country, both civilian and military, and to use force against any local group that challenged my rule. I should want a guaranteed budget and at least a three-year term, to be shortened only by a unanimous vote of the council.

I rather doubt if I should get it. If I did, how could I guarantee that mayhem would not again break out on my departure, as it did in so many countries when imperial rule came to an end?

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## **Daniel Green** on how a civilian shipyard helped VSEL cut costs and gain a Royal Navy order

# Strategy to win a sea battle

When two of the UK's biggest shipbuilders competed for the same Royal Navy contract recently, one of them had to emerge the winner. But for Tyneside's Swan Hunter and VSEL of Barrow-in-Furness, Cumbria, there was more at stake than one helicopter carrier.

After the Ministry of Defence rejected Swan Hunter's £220m bid in May, the receiver was called in and 2,200 workers face unemployment. The MoD's acceptance of VSEL's bid, cheaper by about £50m, gave the UK's specialist submarine builder a re-entry into surface ships after a decade's absence.

Now the National Audit Office, the government spending watchdog, has been asked by the House of Commons defence committee to check if the competition was fair. It is expected to report next week on how the two companies, with more than two centuries of shipbuilding experience between them, came to offer bids of such disparity.

The answer is likely to stem from the different approach each company took to meeting the navy's needs.

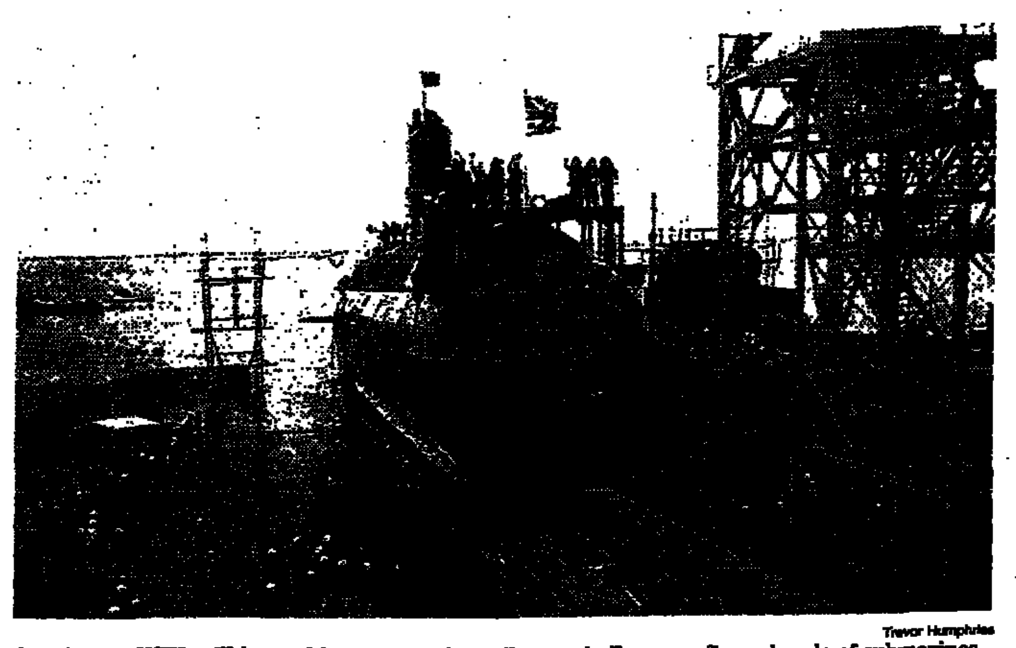
Swan Hunter wanted to do all the work itself, and estimated that building the ship would consume 7,000 man years (the amount of work done by one worker in one year). VSEL, by contrast, divided the work into navy and civilian parts, and gave the merchant parts to a civilian shipbuilder, Kvaerner Govan. VSEL and Kvaerner Govan say they need fewer than 2,500 man years to build virtually the same ship.

Although the rival bids were for similar ships, the thinking behind each design differed. While Swan Hunter believed *the ship was entirely military*, VSEL thought the design was basically a merchant ship with military hardware bolted on.

The difference between a warship and a merchant ship is more than a matter of guns and engines. Military ships are more technologically demanding. Their reliability must be higher, with vital components protected from the shock of battle. They need computerised fire management and back-up electronics to make it more likely that control and communications systems would survive attack.

In a warship, this equipment is packed in hulls made from ultra-thin metal plating to reduce weight, even though welding thin metal is slow and difficult work.

Not surprisingly, navy ships are expensive: a small frigate costs between £100m and £150m, more than twice the price of the costliest of merchant ships.



Trevor Humphries

Sea change: VSEL will be working on a carrier at Barrow-in-Furness after a decade of submarines

Unusually, the MoD's specification for the helicopter carrier did not call for a normal warship, but was a hybrid of military and civilian components. The hull is to be of merchant standard, but many of the fittings are military.

*This combination posed a problem for VSEL and Swan Hunter,* both essentially navy suppliers, although Swan Hunter has in recent years tried to broaden its skills.

The Swan Hunter yard has a long and illustrious history in the commercial sector: in 1907 it built the Mauretania liner, one of the largest liners of its time, and merchant ships were big business in the 1960s. This ended when the yard was consigned to making warships as part of the nationalised British Shipbuilders in 1977-86.

But it had recently returned to building some merchant ships after almost two decades devoted to warships. Since privatisation seven years ago, it has won contracts to build cranes for the offshore oil industry, a River Tyne ferry and a ship designed to work in the Antarctic. The number of its merchant contracts peaked at one-quarter of its workload in the early 1990s. Last year, management felt able to say it had the UK's only design team with the experience and expertise to build both warships and merchant vessels.

VSEL, by contrast, has concentrated on defence work, largely Trident submarines. So *it decided that the merchant ship aspects of the helicopter carrier* – at least half the work of building the ship – could be done by a yard with no navy experience.

The result was a plan to build a hull, helicopter platform and engines. This structure would qualify as a merchant ship and be built to merchant standards set by Lloyd's Register, the ship classification society. It would then sail to Barrow-in-Furness to have military kit fitted.

As prime contractor, VSEL picked its subcontractor carefully. Kvaerner Govan has been owned by one of Europe's most successful merchant shipbuilders, Norway's Kvaerner Industrier, since 1988.

The yard, on Clydeside, has for several years been building gas carriers, which are among the more advanced merchant ships on the seas. The safety standards needed in gas carriers mean that Kvaerner Govan is more experienced than some other merchant yards at the specialised welding and automated disaster management systems that would be useful for the helicopter carrier.

*The MoD specifications for* the helicopter carrier are, in some areas, less exacting than Kvaerner Govan's standards for gas carriers. The helicopter carrier's welds need be checked with X-rays only at random points, according to Kvaerner Govan. The welds on gas tanker hulls, however, must pass a comprehensive X-ray examination.

With the help of its parent, Kvaerner Govan has invested £35m in equipment to cut costs. This is on top of the public money that went into the yard before 1988 when it was owned by the nationalised British Shipbuilders. It hopes to break even this year for the first time under Kvaerner Industrier's control.

This investment is underlined by equipment differences between Swan Hunter and Kvaerner Govan. Both build sections of ships under cover to improve productivity: work can continue during bad weather, and workers perform better in the warm and dry. But Kvaerner Govan can build much more under shelter than Swan Hunter. Most of the £35m went on covered units for ship sections weighing up to 1,500 tonnes, more than seven times the size possible in Swan Hunter's covered units.

These differences alone could account for a substantial difference in costs between the yards. But beyond them, there are long-standing structural differences between merchant ship and warship builders in general that could widen the gap further.

Warship yards acknowledge that they cost more to run. "If you gave a merchant shipyard a warship contract, it would be cheaper than if you gave the same contract to a navy yard," says Mr Bob Mulligan, technical director at Vosper Thorneycroft, a Southampton-based naval shipyard.

The reason is that a navy yard has higher overheads than civilian rivals, says GEC, which owns the Yarrow navy yard, on the River Clyde. *Extra staff are needed to oversee the* development, construction and installation of each part of a warship, such as hull, early warning systems and weapons, and report to opposite numbers in the MoD.

"Across all defence production there is a much greater requirement for liaison between the manufacturer and the customer. They [the military] want a detailed breakdown of overheads and work done in regular progress reports," says GEC. "A commercial yard *does not* need to have *those* people in place."

In the past, the impact of such structural differences on costs has not been tested, because merchant and warship yards have not competed for the same contracts. Now the helicopter carrier experiment may have set a precedent for future MoD contracts.

Indeed, the MoD is determined to press ahead with further contracts mixing defence and civil components, whatever the National Audit office report says.

"This was not a one-off," says the MoD. "The result is that there will be rewards for industry, but there will be increased risk too." Deals combining military and civilian contractors are part, it says, of its policy to pass on the risk from taxpayers to suppliers.

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# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Tax-efficient pay rises aid unemployment

*From Peter Duboff.*

Sir, I read with interest your editorial, "Changeable forecasts" (July 17), and would like to expand upon a theory as to why the two key indicators – retail price inflation and unemployment – have recently been so favourable.

I specialise in the activity known as profit-related pay, an area of tax legislation designed to motivate employees by relating a proportion of their pay to company profits, with that profit-related element being paid without deduction of tax. The untaxed element can be up to 20 per cent of gross pay, or £4,000, whichever is lower.

Over the last year, virtually every profitable business employing more than 30 staff has either put in place a PRP scheme or is actively considering it for its next financial year. This is because, in most cases, an appropriately devised PRP scheme can effectively substitute up to 20 per cent of existing salaried pay with tax-free profit-related pay without recourse to movements in the company's profits. This will have the effect of providing employees earning up to £20,000 per annum with pay increases of up to 5 per cent net or gross equivalent increases of 7.5 per cent at no cost to the company.

Businesses are actively introducing PRP at a time when they would normally otherwise have offered a pay rise in lieu. In other cases, where industries are hit by recession or where employers are more greedy, staff are being asked to accept gross pay reductions of up to 5 per cent while still being promised higher net salaries.

This can allow an employer to avoid making redundancies that would otherwise have been necessary.

More than 1.2m employees were in PRP schemes by March 1993 and their number is likely to have increased substantially since then. While the impact that PRP is having on wage inflation and unemployment figures is healthy, one should be aware of the corollary effect it is having on tax revenues collected through the PAYE system.

Peter Duboff,
*Duboff & Co,*
*chartered accountants,*
*Trafalgar House,*
*Greville Place,*
*Mill Hill,*
*London NW7 3SA*

## Strong case for UN reform

*From Luca Corabi.*

Sir, Leslie Crawford, in her article, "Rising death toll stokes Somali hatred against UN" (July 14), gives a lucid and impartial account of the tragic events in Mogadishu and of the causes of them.

What should possibly be added as a comment is the urgent need to reform the structure of the United Nations – in the light of the radical changes that have occurred on the world political scene – giving more powers to the general assembly.

Should this not take place, the organisation will remain, as it undoubtedly is today, nothing more than a screen behind which the US hides the most controversial aspects of its foreign policy. This will lead many emerging countries of the world to share a feeling of suspicion and mistrust towards what will increasingly be regarded as a hypocritical international tool.

Luca Corabi,
*Via Maddalena 9,*
*20122 Milan, Italy*

## Relocation move means double taxation

*From Mr John W Spirling*

Sir, The Treasury will have surpassed itself with the efficiency of impending legislation which will not only raise a tax, but also a tax on a tax. This is the inevitable result of the only option left to major companies relocating employees after the government's proposed new tax on relocation expenses is implemented.

Responsible companies pay only the expenses necessary to achieve a rapid relocation, the employee not being out of pocket. Typically, the cost of this (including agent's fees, solicitor's fees, duty charges, bridging costs, etc) is more than double the £8,000 non-taxable limit suggested by the chancellor in March.

From August the employee will be required to pay tax on expenses in excess of this limit. In reality the employer will pay the employee an additional amount sufficient to meet both the cost of the tax and the tax on the additional amount.

The net result? Companies are doubly taxed on a necessary expense. Expanding, multi-location companies are disproportionately penalised. Is this really the most appropriate way to increase government income?

John W Spirling,
*group personnel director,*
*Geest,*
*White House Chambers,*
*Spalding,*
*Lincolnshire PE11 2AL*

## To the point

*From Mr Raymond Nottage.*

Sir, The Financial Times Style Guide (Hawks and Handsaws, July 10/11) will no doubt be a power for good in the journalistic world.

In this, I wonder, will it bring about the demise of the war-time euphemism "in short supply" and restore the simple word "scarce" to media parlance?

Raymond Nottage,
*36E Arkwright Road,*
*London NW3 6BH*

## Matters of record regarding council leader's resignation

*From Councillor David Weeks.*

Sir, You carried an article by John Authers on July 15 about Westminster City Council ("Troubles mount for Tory council"). May I put on record three points. In particular, Mr Authers said that the council's managing director, Mr Montacute, refused to publish certain letters. Mr Authers did not ask me if he could see them. Had he done so I would have made them available to him.

My resignation statement makes clear that I resigned as leader of the council "as a result of political disagreements over my approach to the council's management". Other reasons which you have suggested were not relevant.

With regard to the housing policy of designated sales, this is in full operation and is one of our most popular policies among our council tenants. At the last council meeting tenants of a further estate requested that they, too, should be allowed to have "designated sales" status.

I cannot anticipate what the district auditor may report on the subject. What I can tell you is that the council obtained the advice of leading counsel about it on three different occasions: in 1987, when the policy was first implemented; in 1989 when the Labour party first made the allegations that you described; and in 1993, in the light of new papers which have been requested by the district auditor. On every occasion the QC confirmed that the policy was legal.

No action has been taken following the raid on my office by the managing director because no action was needed. Only 11 sheets of paper were involved; they were all perfectly legal.

David Weeks,
*former leader of the council,*
*City of Westminster,*
*London SW1E 6QP*

## Not only an environmental cost

*From Mr C H Wroe.*

Sir, David Buchan's article on homegrown petrol concludes with the assertion that some EC member states are less than enthusiastic about biofuels because of their adverse environmental and industrial effects ("France samples homegrown petrol", July 15).

While this is undoubtedly true, at a time of burgeoning deficits, a loss of tax revenue of up to £3bn across the Community, plus a slightly smaller sum in other agricultural support costs, may also cross their minds.

C H Wroe,
*BP Chemicals,*
*Belgrave House,*
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*London SW1W 0SU*

# FINANCIAL TIMES

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Wednesday July 21 1993


# Clarifying the green agenda

RECESSION AND growing awareness of the cost of implementing the world's green aspirations have pushed environmental concerns down the political agenda. After a decade of enthusiasm for regulation and international deals on the environment, it is a time for priorities.

The best reason for acting in environmental questions is when there is a risk to health and safety. Many environmentalists go further, arguing that a duty exists to preserve the environment for posterity, whether or not health is at risk. Lady Thatcher spoke of this generation's responsibility for a "full repairing lease" on the planet in her 1988 speech to the Royal Society.

That approach, captured in the notion of "sustainable development", is problematic. Many economists find it incoherent, since consumption of perishable, non-renewable resources, such as oil, cannot be sustained indefinitely. At its purest, the notion of "sustainability" amounts to a plea for conservation for its own sake, be it of whales or of particular habitats, like rainforests. This position enjoys public support, particularly in rich countries. But governments should carefully distinguish conservation from concern about threats to people's physical well-being. They should also be clear about the price they are willing to pay for the preservation of blue skies or rare animals.

If health and safety are to be put first, global warming, the subject of one of the two treaties at the Rio summit last year, should be viewed as the most important single global risk. The threat of a rise in the planet's temperature from growing concentrations of carbon dioxide and methane in the atmosphere has not yet been proven: some scientists believe that clouds and the oceans might counteract the change. Nevertheless, warming would cause widespread social and agricultural disruption, if it were to occur, while achieving better knowledge will take decades of research. Given the slowness of international negotiations on curbing emissions as well, the issue should be tackled urgently.

Rio sidestepped other important questions, notably population growth, to which more attention should be paid. Similarly, it gave little time to trade questions, though recent challenges to the proposed North American free trade agreement and the General Agreement on Tariffs and Trade show how environmental worries may lead to protectionism.

But the environmental concerns that merit attention are not only global ones. Governments should also pay attention to local miseries. Urban air pollution, for example, is suspected of causing rising asthma levels. Equally important are contaminated land and mismanaged rubbish tips, while noise is among the main complaints in rich countries and polluted water in poor ones.

Nevertheless, not all environmental concerns deserve the attention they are given. Ozone layer depletion, for example, poses far less of a threat than global warming. Now that curbs on many of the chemicals responsible are in place, ozone levels will correct themselves naturally over decades.

Governments should also cast a sceptical eye over recycling and renewable energy. Those two issues have become a moral crusade for the green movement. Yet their economics and even their environmental benefits are questionable.

Arguably, the most overblown issue of all is preservation of biodiversity, the number and distribution of species, which was the subject of Rio's second treaty. Maybe plants deep in tropical jungles contain hitherto unknown medicines. But the sensible response is to catalogue the species and preserve some of each, in a modern-day Noah's Ark.

Choices need to be made. If environmentalists insist that all things green are equally important, they are likely to lose their influence. If governments are distracted by items of minor importance from the campaigners' agenda, they will not be effective. Sound environmental policy requires clearly stated priorities.

*This is the first of a series of editorials on environmental issues*

# Red tape

EXCESSIVE regulation imposes unseen costs on business that raise prices, stifle innovation and lose jobs. In February, the prime minister launched a crusade against the red tape that appears to be engulfing the UK. Six months on, little has yet been achieved, though some worthwhile initiatives were launched at yesterday's Downing Street seminar on deregulation.

Certainly if the list of deregulation measures put forward by departments is anything to go by, Mr Major's crusade is flagging. Campaigners against growing red tape have more in their sights than allowing shops to stay open later or creating more "family pubs". The environment department's promise to repeal the Seal Fisheries Acts will not impress small businesses wrestling with the complexities of environmental legislation. As for the transport department, top of its list of deregulation measures is a green paper on regulating mini-cabs – hitherto unregulated. This is the traditional Whitehall approach of selling departmental priorities under the guise of the latest prime ministerial initiative.

Some useful ground-clearing measures were agreed yesterday. Around 400 regulations have been targeted for further scrutiny. A deregulation bill is promised for the next session of parliament. Future regulations will be tested for their impact on small businesses and whether their costs are commensurate with the benefits. There will also be encouragement for legislators to specify the outcome of actions rather than attempting to control the details of business processes.

All of this is welcome, but whether it is successful in cutting through red tape will depend on how it is implemented. The people who drew up yesterday's unconvincing lists of deregulation measures may not be the best people to entrust with this task. A report supervised by the Cabinet Office Efficiency Unit proposed a commission to give deregulation much greater clout. The government has sensibly rejected such a quango – creating another bureaucracy to fight bureaucracy would be particularly inappropriate. But the deregulation drive needs a stronger push with the prime minister's active participation. A special Cabinet Office unit to co-ordinate action is called for, modelled on Sir Peter Levene's highly successful Efficiency Unit.

# Rough justice

WHEN THE history of Italy's corruption scandals comes to be written, Gabriele Cagliari may occupy a special place. In apparently killing himself in a Milan jail, the former ENI chairman has shone a grim light on the magistrates' ever-expanding investigations into links between politics and business. What is exposed is scarcely a picture of justice. Cagliari had been held for 133 days on a range of charges on which he could normally have expected bail. The magistrates are accused of trying to force him into self-incrimination. It is hard to escape the impression that what the Italian judiciary calls "preventive detention" has become a severe infringement of citizens' rights.

Hitherto, the widespread assumption has been that the vigorous means adopted by the magistrates were justified by the end: breaking the rotten system under which Italy has been governed for the last four decades. The question now is whether they have gone too far. To ask this is not to suggest systematic injustice: the people who have walked into the investigators' net are by admission almost all guilty of misdemeanours from making illegal party contributions to extortion.

But the process still leaves an uncomfortable impression. It is being carried out amid a welter of press leaks that seem to presume guilt and offer suspects no public opportunity to defend themselves. Moreover, the magistrates' zeal in bringing accusations is not matched by an expeditious judicial system. Prosecutions can take 10 years to come to trial and, when they do, a staggering 75 per cent fail. At this rate, the courts will still be digesting current investigations long after many more of the culprits have died.

The problem – for the magistrates as much as for their suspects – is that Italian justice is currently operating in a political vacuum. An entire system is on trial, not just a few hundred corrupt politicians and businessmen, and the current legislature is too discredited to come up with a workable political solution. This week's events merely reinforce the pressing need for fresh elections and comprehensive constitutional reform. But until a new parliament with such a mandate is in place, the judiciary will have to strike a more careful balance than it has of late between prosecuting the guilty and respecting the rights of the individual.

# No easy answers to job questions

## Rising employment and wage flexibility have gone hand in hand in America's market economy, writes Michael Prowse

It may seem ironic that President Bill Clinton has taken the lead in proposing an international "jobs summit" this autumn. Many of his Group of Seven colleagues would regard the current US unemployment rate as a mark of success rather than failure.

In the recession, the US jobless rate peaked at less than 8 per cent. It has already fallen to 7 per cent, well below the double-digit rates projected for much of the European Community. By EC standards, the US barely understands the meaning of the phrase "long-term unemployment": according to OECD figures, in 1991 (a recession year) only 6 per cent of the jobless in north America were out of work for 12 months or more, against nearly 50 per cent in the European Community.

The US's job creation record over the past two decades, meanwhile, is often cited as a classic illustration of the virtues of flexible labour markets. In spite of temporary setbacks during recessions, non-farm employment has grown at a staggering pace: from 71m in 1971 to 110m this June, an increase of 55 per cent.

No other large industrial country has come near to matching this performance. The US generated jobs twice as quickly as Japan over this period and more than five times as rapidly as leading European economies such as Germany, France and Britain.

And nearly all the job growth in the US was in the private sector. Until the mid-1980s, when private sector employment began to expand slowly, most European jobs were created by public-sector agencies and thus financed by higher taxes.

Yet the Clinton administration draws little comfort from this impressive record. Far from considering his own labour market as a paragon of virtue, Mr Clinton frets that:

- The jobs miracle may be over – US employment has barely increased in three years;
- Real wages have grown very slowly for two decades, raising doubts about the quality of jobs;
- Pay differentials are growing, leading to unprecedented inequality of family incomes.

Behind these specific worries lies an inchoate fear: that increasingly fierce competition from east Asia and parts of Latin America is reducing the proportion of Americans that can afford the trappings of a "middle-class" lifestyle, such as a vacation home and college education for their children.

The point was brought home in a recent speech by Mr Richard Gephardt, the Democratic leader in the House of Representatives. He recalled visiting a Sanyo plant in Tijuana, Mexico, which manufactures circuit boards for TV sets. The workers apparently achieved higher quality and productivity than their counterparts in Sanyo's Japanese or US plants, yet earned only about $1 an hour.

The moral he drew was that $1 an hour labour in countries such as Mexico or China "can equal or surpass our labour in simple or very complicated manufacturing tasks". In other words, in an intensification of the trends of the 1980s, foreign competition might drive down the wages even of highly skilled American factory workers.

Worries about the quantity – as opposed to the quality – of US jobs seem exaggerated. By the standards of past business cycles, jobs are admittedly being created slowly during the present recovery: employment has only just surpassed the pre-recession peak reached in the summer of 1990. But many pundits forget that labour force growth has also slowed down.

Provided wages can adjust, in a market economy there is usually a close relation between the growth of the labour force (the numbers seeking jobs) and growth of employment. Between 1971 and 1990 the US created far more jobs than any other industrial economy, largely because of unusually intense demographic pressures: the arrival in the workforce of the outsized "baby boom" generation, the shift of women into paid employment and substantial immigration – 6m people entered the US in the 1980s alone, the largest influx since the early years of the century.

The most striking difference between the US and Europe today is that few Americans fear severe structural unemployment. Most forecasters – including the Clinton administration – expect a cyclical economic recovery to reduce the unemployment rate to 5.5-6.0 per cent by 1996, which is not far above most estimates of "full employment".

In some respects such projections create a misleading impression. Jobless rates in the US tend to be below those in Europe partly because only about 60 per cent of the jobless qualify for unemployment insurance. Benefits are worth only about a third of previous earnings, compared with more like two-thirds in continental Europe. And they last only six months, except in recessions when temporary extensions are granted.

This means that many jobless Americans drift out of the labour market and are classified as "economically inactive" rather than unemployed. The Organisation for Economic Co-operation and Development has calculated "non-employment" rates (which consist of the officially jobless plus the inactive) that cast a less favourable light on US labour markets. During the 1980s, 12 per cent of men aged 25-54 were not in the formal labour market, compared with an average of just over 11 per cent in 16 large industrial countries. Withdrawal from the labour market is an especially severe problem for poor young men in inner cities.

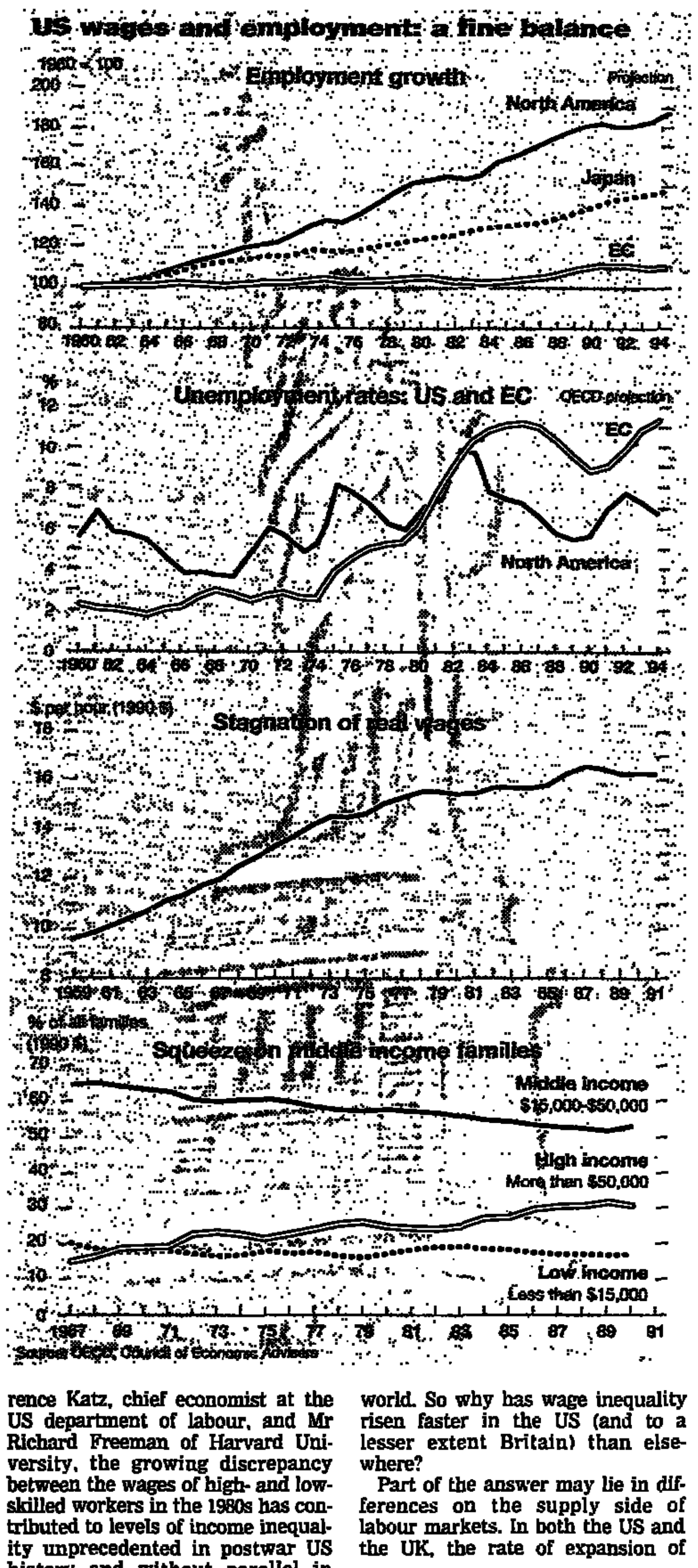
But if the availability of jobs (except in recessions) is often taken for granted, nearly all US pundits are preoccupied with two alleged manifestations of the low quality of much of the service-sector employment created in the 1980s: the slow pace of real wage growth and the rising inequality of family incomes. Since 1973, hourly compensation (wages plus fringe benefits) has increased by only about 11 per cent after allowing for inflation, or little more than 0.5 per cent a year, a far slower pace than in most other industrialised countries. The disappointing performance of real wages has to be seen, however, as a quid pro quo for the exceptional growth of employment since the early 1970s. In some ways it is surprising that real wages rose at all.

Nevertheless, the US is the only leading industrialised country where many low-income workers

**Real incomes of the richest 20 per cent of families rose 20 per cent, while those of the bottom 40 per cent were static**

have experienced substantial real pay cuts. After adjusting for inflation, the hourly wages of men with 12 or fewer years of schooling fell about 20 per cent between 1979 and 1989. During the same period comparable workers in the UK experienced a 12 per cent increase in inflation-adjusted earnings.

According to a study by Mr Lawrence Katz, chief economist at the US department of labour, and Mr Richard Freeman of Harvard University, the growing discrepancy between the wages of high- and low-skilled workers in the 1980s has contributed to levels of income inequality unprecedented in postwar US history and without parallel in other advanced economies. During the 1980s, the real incomes of the richest 20 per cent of families rose about 20 per cent while those of the bottom 40 per cent were static.




The UK was the only other country to experience a sharp rise in inequality. Katz and Freeman found no evidence of increasing wage inequality in Germany or the Netherlands and only a slight increase in differentials in countries as diverse as France, Sweden, Japan and Australia.

Yet all industrialised countries have had to cope with the same structural changes, such as a secular shift in the composition of output from manufacturing to services and stiffer competition from low-wage producers in the developing world. So why has wage inequality risen faster in the US (and to a lesser extent Britain) than elsewhere?

Part of the answer may lie in differences on the supply side of labour markets. In both the US and the UK, the rate of expansion of

**Pay has grown more unequal even among employees with the same qualifications in the same industries**

higher education slowed significantly in the 1980s as compared with the 1970s. So the rate of growth in the supply of highly educated workers declined. Yet the relative demand for highly educated workers if anything grew faster, reflecting the export of low-skilled jobs to developing countries.

In the US, the supply-demand imbalance contributed to a sharp increase in the wage premium for college-educated workers. In countries such as Germany and France, where the relative supply of highly educated workers was better maintained in the 1980s, the pay of college-educated workers did not rise to anything like the same extent.

Katz and Freeman also note that the US and Britain saw a much sharper contraction of union membership than most other industrialised countries. In the US, where unionised workers enjoy wage rates 20-25 per cent above those in non-organised plants, the decline in union membership in the 1980s may have accounted for as much as a fifth of the total rise in wage inequality in the decade.

But this is not the whole story. In the US pay has grown more unequal even among employees with the same qualifications in the same industries subject to the same labour laws. For example, pay rates for lawyers vary more than they once did. This broader trend may reflect attempts by US companies to become more competitive by linking pay much more closely to individual performance, which is often only loosely related to formal qualifications and job titles. In most other countries, there are many formal and informal obstacles to such an individualistic approach: in effect the more productive are obliged to subsidise the less productive.

For many Europeans, US labour markets will seem an unattractive role model. Stagnant real wages, rising inequality and limited job security will strike many as a high – perhaps unacceptable – price to pay for relatively low jobless rates. Many Americans are deeply troubled by such trends: Mr Clinton won last year's presidential election in large part by capitalising on the feelings of insecurity created by the Darwinian labour markets of the 1980s.

His formula for restoring the "American dream" of steadily rising living standards for middle-income families involved heavy reliance on "social democratic" policies that in the EC are now increasingly seen as the cause of labour market rigidities. Mr Clinton signalled he would help low-income families by raising the minimum wage substantially and debated the merits of new payroll taxes to pay for social reforms, such as universal healthcare and more extensive industrial training. His agenda also included giving workers a stronger "voice" in corporate decision-making, especially in the non-unionised sector.

Yet as he learns more about the potential costs of interventionist labour market policies in the EC, Mr Clinton may find himself counting the blessings of the US's more flexible system. If he borrows from Europe it will be in uncontroversial ways, for example by upgrading US vocational education, easing the school-to-work transition for non-academic students and improving "active labour market policies", such as counselling and retraining services for the unemployed.

But the EC can possibly learn a great deal from the US. The most important lesson is that in a dynamic, open market economy, some sectors will always be in relative decline. There will thus always be downward pressure on the relative (and sometimes absolute) wages of some groups of workers. If these pressures are resisted indefinitely, it is hardly surprising if the result is an insupportable level of structural unemployment.

If there is a cure for pain inflicted by low-wage competition from the likes of China and Mexico, it probably lies in a policy that all governments endorse yet on which few can show much tangible progress: improvements in the quality of education and training that raise the productivity of the workforce. But as the timescale involves decades rather than years, such improvements cannot be expected to serve as a substitute for greater wage flexibility.

# OBSERVER

## Saab trolls for elks

■ Fingers crossed today that Keith Butler-Wheelhouse will turn up on time for the all-important launch of the new Saab 900 model. The genial Brit, who was brought in by part-owners General Motors last year to drive the beleaguered Swedish car maker out of the woods, admits to having got lost there himself last week. Turning up at work an uncharacteristic 45 minutes late, he explained that he and his dog on their morning run had strayed by 6kms through the forest near the company's home town of Trollhättan.

The presence of Butler-Wheelhouse – who led the management buy-out of GM's South African operation eight years ago – and of the American John Fleming in the marketing role testifies to the concern at GM, 50 per cent owner with the Wallenberg family since 1989, that Saab should finally turn the corner after four years of deep losses.

To this end and with its home market very much in mind, the new 900 was tested on its ability to withstand collisions with elks – a not infrequent occurrence on Swedish roads. Saab engineers insist that there is no safer car on the road when it comes to a head-on encounter with a large deer. But what about Saab's other cherished reputation – for producing the world's greenest, as well as safest car? Don't worry, the engineers say. We used a dummy elk.

## Gummed up

■ The government's assault on red tape, which yesterday yielded a mere 217 pages of report by the "efficiency scrutiny team", was off to a bad start when ministers flatly rejected one of its key proposals – the creation of a national red tape quango.

Nor will the country's embattled small businessmen be exactly cheered by John Gummer's selfless proposals for tape-cutting at the Department of the Environment. Earmarked for immediate attention are several Seal Fishery Acts, which principally affect Canadian fisherman in the north Pacific.

## PUS appeal

■ While Westminster ponders Maastricht, the Foreign Office is abuzz with the pithier little matter of who moves into the permanent undersecretary of state's gracious seat next August.

Sir David Gillmore, whose rather unusual path to the top of the diplomatic service included three years at Reuters as well as a spell teaching for the Inner London Education Authority in the late 1960s, has been in place since 1991.

A highly popular but unflashy PUS, he briefly leapt to the


'At least WE get a Social Chapter'

limelight last September administering the very public wigging of the former German ambassador amid the ERM turmoil. Gillmore doesn't turn 60 until August 1994, but the FCO hates to be rushed and four names are already in the air.

Sir Robin Renwick, 55, the British ambassador credited with restoring relations after the saga of Clinton's passport during the presidential election, has been mentioned, as has Sir John Kerr, 51, permanent representative to the EC in Brussels. Sir Nigel Broomfield, 56, ambassador in Bonn, has the advantage of knowing Gillmore from Moscow in the early 1970s. And there is Sir John Weston, 55, the UK permanent representative to Nato.

Meanwhile Sir David Hannay, the all-star permanent representative to the UN, is *not* thought a likely contender. The FCO is certainly keen to reward him for his time in New York but, at 58, he may be a shade too old.

The current betting is on Weston. Renwick will be left where he shines, in the field; and Kerr, who has done his best in the uphill task of keeping Britain at the heart of Europe for three years, is young enough to have another crack at the best job in Whitehall.

## Deaf ears

■ Radio buttons will soon be too hot to handle. Into the franchise ring step Dame Shirley Porter, who quit politics and became chairman of LBC, and Charlie Cox, until recently LBC's managing director.

Yesterday, Cox turned up as managing director of The London Radio Company, which is hell-bent on ousting LBC from its frequencies.

So LBC promptly called its lawyers. It claimed that Cox, once the youngest manager of a large metropolitan radio station in Australia, and who resigned a week before LBC's application for new licences was delivered to the Radio Authority, had given legal undertakings not to do anything to help any LBC competitor.

But Bert Hardy, chairman of The London Radio Company whose heavyweight investors include Associated Newspapers, Reuters and Independent Television News, says Cox is only prevented from helping a rival until September. "He's off to Australia on holiday," says Hardy. It just so happens that the franchises will be awarded in September or October.

## Mirror image

■ S.G. Warburg, the government's global co-ordinator in the BT share sale, threw a party on Monday evening for its directors and advisers who had worked on the float. At the end of the bash, the bank revealed the winner of its "Warren Beatty" award, which was to go to the director who had managed to get his name into the press – [there he goes again, Ed] – more often than anyone else. It was James Sassoon, recently to be heard saying how sick he was of talking to journos. Nor did he consider his prizes – a BT3 shirt and a mirror for his wall – to be much compensation for his labours.

## Bowled over

■ What is Ian Botham planning for his cricket after-life? Perhaps something at the garrulous end of the insurance industry? In an interview the great all-rounder described himself in fluent life office speak as "38 next birthday".

FINANCIAL TIMES
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# Greenspan says US recovery has regained its momentum

By Michael Prowse in Washington

THE US Federal Reserve is putting increased emphasis on real interest rates as a guide to monetary policy, Mr Alan Greenspan, the Federal Reserve chairman, said yesterday in a generally upbeat assessment of US economic trends.

He warned Congress, however, that financial markets were likely to react negatively and push up long-term rates if budget negotiations this month failed to achieve the Clinton administration's goal of $500bn in deficit reduction over the next five years.

Mr Greenspan said the US economic recovery appeared to have regained momentum after a series of setbacks earlier in the year and predicted growth at an annual rate of close to 3 per cent in the second quarter, after only 0.7 per cent growth in the first quarter. During the year as a whole the economy was likely to grow by about 2.5 per cent, he said.


Alan Greenspan: upbeat view

Delivering his twice yearly testimony on Capitol Hill, Mr Greenspan said the relationships between money and national income and prices had largely broken down, depriving the monetary aggregates of their usefulness as guides to policy.

The Fed had thus decided to put increased weight on the level of real interest rates as a monetary guidepost because of their "key bearing on longer-run spending decisions and inflation prospects".

It was important to prevent real rates moving too far from a long-term "equilibrium rate" – the rate consistent with steady non-inflationary growth. If interest rates were held below this level for too long, inflationary pressures would grow, leading eventually to another economic contraction, he warned.

In a strong hint that the next move in short-term rates would be up, Mr Greenspan noted that real short rates had been "in the neighbourhood of zero" for nine months. Long-term real rates, over which the Fed had little control, were appreciably higher, indicating that financial markets expected a rise in short rates.

Mr Greenspan said the Fed had revised down its growth forecasts to a "central tendency" of 2.25-2.5 per cent this year compared with a projection of 3-3.25 per cent in February.

The Fed has also grown more pessimistic on inflation, following sharp price increases early in the year. The latest forecast is for an increase in the consumer price index of 3-3.25 per cent this year against a projection of 2.5-2.75 per cent in February.

Mr Greenspan warned that the Clinton deficit reduction package represented only a first step towards fiscal consolidation. "We are going to have to take another shot at the deficit," he said, because the underlying rate of growth of spending remained unsustainable.

# OECD links short-term job tenure to inadequate training

By David Goodhart, Labour Editor, in London

COUNTRIES with the highest levels of job mobility are generally failing to provide adequate training, according to the OECD's annual report on employment published yesterday.

The Paris-based OECD secretariat, a think-tank of 24 industrial nations, warns in its report that deregulation of the labour market can conflict with the goal of a well-trained, well-paid and stable workforce.

The report, which makes veiled criticism of labour market developments in the UK and the US in the 1980s, appears to reflect the influence of the Clinton administration in Washington.

"It seems clear that the major asset of OECD countries is the quality of their labour," Mr Tom Alexander, a senior economist at the OECD, told a news conference yesterday. "It is important that quality is consistently reinforced and renewed."

Young people in France, Germany and Japan, where employment stability was greater, were more likely to receive formal training than their counterparts in the US which had a relatively high job turnover, the report said. In both France and the US, industries where workers stayed with one employer for a relatively long time were shown to train more.

The report added that the US experience of strong employment growth combined with a fall in real wages for the lowest-paid workers "has given rise to concerns" that jobs could be bought only at wages which created a class of working poor.

The OECD also expressed concern about the strong rise in part-time and temporary work, especially in Europe, where some jobs "offer only sub-standard employment and income security". It found that 20 to 30 per cent of part-time workers would prefer a full-time job and 60 to 80 per cent of temporary workers were seeking full-time jobs in some European countries.

The report said it was difficult for countries with high job turnover to copy the special relationship between worker and company found in parts of the Japanese workforce.

The 1980s saw little change in job tenures with some strengthening in Japan and some weakening in the Netherlands and Spain. An analysis of 13 OECD countries put average job tenure at 8.7 years with the US lowest at 6.7 years and Japan highest at 10.9 years.

OECD criticises 'hire and fire' labour markets, Page 4
No easy answers, Page 11

# Hamburg court rules against VW

Continued from Page 1

which "give the impression or allow the impression to be drawn that Mr Lopez and colleagues who changed to VW with him took with them any secret GM or Opel documents and delivered them to VW".

One key to the court's decision lay in evidence presented last week by Mr John Howell, director of business planning at GM Europe, who "specifically remembered" giving Mr Lopez a sheaf of 100-150 documents on March 8, one day before Mr Lopez announced his departure.

The documents contained details of new Opel car models, including a top secret mini, the O-Car.

According to GM, searches of offices vacated by Mr Lopez and colleagues have failed to turn up any of the secret documents which the US group claims they had before they left for Germany.

## THE LEX COLUMN

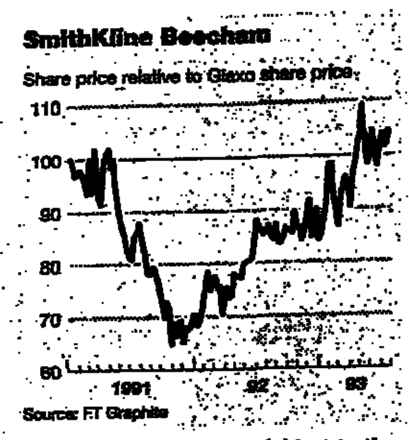
# SB's patent cure

Drugs prices can go down as well as up. The prices charged by SmithKline Beecham to big buyers of managed healthcare in the US were 5 to 10 per cent lower in the first half of this year than last. Since the company expects such bulk buyers to account for a rising proportion of sales, price deflation has further to run even without government intervention. Drugs prices have fallen this year in Germany and Italy as a result of government reforms. The chances are that similar measures will follow elsewhere in Europe.

All credit to SmithKline Beecham, then, for increasing pharmaceutical sales in both the US and Europe. But not all drugs companies have been blessed with a stable of promising new products at such a critical moment. Self-help will be required elsewhere to protect margins and keep earnings on a rising trend. The $775m restructuring charge taken by Merck yesterday, and cuts announced by Marion Merrill Dow last week, will not be the last. Having been through the pain of merger, SB may have less fat to cut. If a handful of big buyers soon account for the lion's share of its US sales, though, its 2,000-strong US sales force will look extravagant.

The expiry next year of the US patent on Tagamet, SB's big-selling ulcer treatment, will be a test. But the impact on earnings should be offset by a timely currency gain. There is also the promise of an over-the-counter version of Tagamet. Judging by the performance of the shares during the great de-rating of the sector, the market now regards SB's consumer marketing expertise as a useful spread of risks.

FT-SE Index: 2823.9 (-19.0)




## House of Fraser

A new chapter will soon be written in House of Fraser's colourful history. Sadly, it may prove rather dull after what has gone before. Next year, the company should return to being a respectable listed company with assets of some £250m and sales of £700m. By then, the whiff of cordite from the infamous Rowland-Fayed feud may have fully blown away. There is little doubt the flotation reflects the financial pressure on the Fayeds, however much they may care to window dress the sale. Despite this year's refinancing, the brothers are still saddled with a mountainous burden of debt.

That said, House of Fraser has hardly been starved of investment in recent years. Unlike Harrods, it does not appear to have been subject to the fanciful whims of its proprietors. Ahead of the flotation, House of Fraser will be run as an independent company but will face a stiff challenge overcoming historical prejudice. The pukka presence of Warburg as sponsor reassures. The surprisingly swift re-emergence of Mr Brian McGowan on the corporate scene as chairman represents another plus. Fishing, it seems, has only limited attractions after all.

A price of £350m-£550m should be attainable from the flotation – although this depends on how much debt House of Fraser carries. The toughest task for management, though, may be persuading investors the company has much growth potential after five years of flat sales and thin profits. Department stores have long been viewed as the dinosaurs of the high street. Yet, Nordstrom in the US has shown there is life in the concept. House of Fraser has now to show it can be as nimble too.

## Allied-Lyons/Eldridge

The deal between Allied-Lyons and Eldridge Pope neatly illustrates the dilemma facing regional brewers in the UK. Eldridge needs the marketing muscle of a large brewer such as Allied-Lyons to promote its cask ales nationally. Without that or some similar arrangement it would not make much sense to stay in brewing. But in return it is having to open up its retail network to Carlsberg and Castlemaine lagers, giving Allied's new Carlsberg-Tetley venture a toe-hold in a region where it is under-represented. Eventually that could extend to Allied's ales as well. The prospect of such additional volume serves to make more sense of Allied's Carlsberg alliance.

The benefits do not, of course, accrue to just one side. Carlsberg-Tetley will have to compete on price to attract the lager drinkers – they surely cannot be louts – of Bournemouth and Christchurch. Eldridge Pope will receive £6m to invest in its retail estate as well as some additional contract brewing. In the long run, though, it is difficult to see the arrangement as a panacea. Eldridge's best hope lies in retailing, not in struggling to remain in brewing. Its Thomas Hardy and Royal Oak bitters will be guest ales under Allied's wing. There is a surplus of brands as well as brewing capacity in the beer market. Some will not survive.

## UK economy

After last week's good news on industrial production and unemployment, the deceleration of M4 money supply growth is disconcerting. But the slippage may not be as serious for recovery as it looks. It reflects a shift in corporate financing habits, whereby bank debt is being securitised through the issue of new equity capital or fixed-rate bonds. June alone saw companies raising some £3.5bn in the equity market, thanks partly to the flurry of rights issues from the property sector.

Such balance sheet restructuring bodes well for future activity, especially since consumers show signs of being prepared to borrow again: witness the strong rise in new building society mortgages. The recovery may not be running away with itself, but it is not exactly faltering either.

## Philip Morris

The noxious smoke which Philip Morris blew over other consumer products companies when it first cut the price of Marlboro cigarettes grew thicker yesterday. Its decision to make the price cuts permanent provoked fresh fears about brand values.

The UK market, though, appears to have particular trouble peering through the smog. It knocked the shares of both Unilever and Cadbury-Schweppes, which are in wholly unrelated businesses, while leaving those of tobacco giant, BAT Industries, untouched. This may owe something to Philip Morris's simultaneous decision to raise the price of its discount cigarettes. The market's reaction seems perverse nonetheless.

Sell-off minister says double blow to programme will hurt millions

# Russian parliament blocks privatisation

By Chrystia Freeland and Dmitry Volkov in Moscow

THE Russian parliament delivered a double blow to the government's privatisation programme yesterday, by suspending a presidential decree which is central to the process and annulling a parliamentary law on the sale of state companies.

Mr Anatoli Chubais, privatisation minister, said the action would "deal a blow to millions of people involved in [privatisation]".

The presidential decree, issued in May, made it compulsory for all state companies to sell a minimum 29 per cent stake at auctions when going private. The decree helped boost the value of the privatisation vouchers issued to all Russian citizens but was opposed by factory directors, loath to cede control.

Mr Chubais predicted the parliament's ruling could hurt investor confidence in the vouchers and precipitate a drop in their value.

The decree also required all small-scale privatisation to be completed by August 1, a clause that western advisers described as one of the most important catalysts in the highly successful small-scale privatisation process.

Mr Jamie Hamilton, a consultant at the International Finance Corporation, the private sector arm of the World Bank which has advised the Russian government on privatisation, said: "This will be an excuse for vast regions of Russia to stop privatising."

About 51,000, between half and a third of all Russia's small-scale enterprises, have been privatised.

By suspending part of its own legislation on privatisation, the parliament transferred responsibility for the privatisation process from the liberal state property committee to the conservative sectoral ministries.

"This is another revanchist attempt by the parliament to destroy the reform it dislikes most – privatisation," said Mr Chubais, who stormed out of the hall in protest.

Mr Chubais, who has spearheaded the sell-off of Russian state assets in defiance of a hostile parliament, said that he would find a way round the roadblocks as in the past.

"We knew such a move was possible and we have prepared a plan which will allow us to continue the privatisation process," he said.

Climate of reform brings rouble back from the dead, Page 2

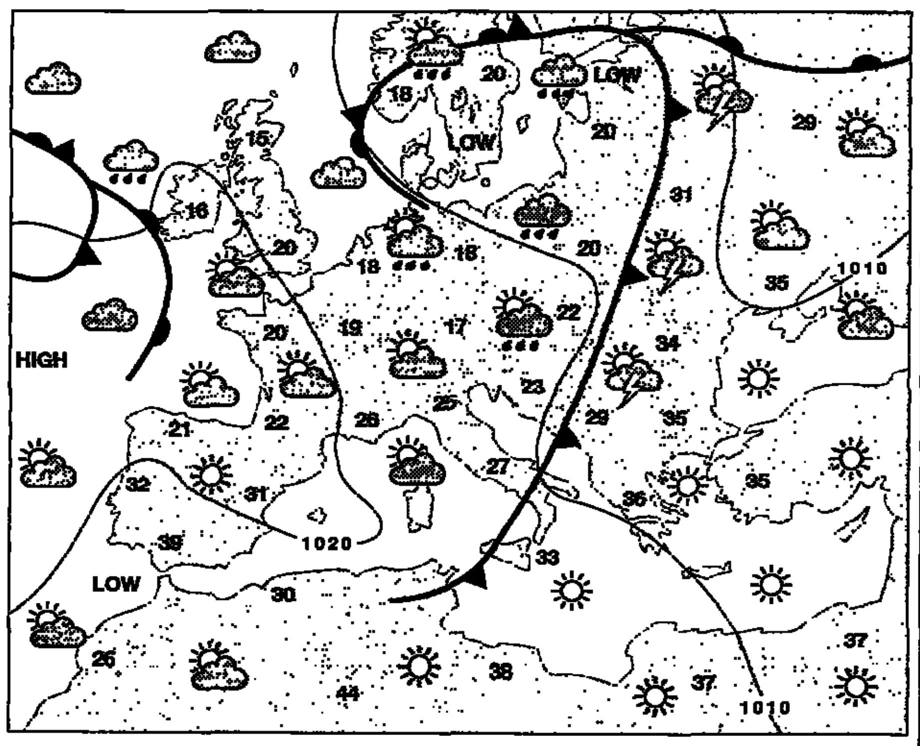
## FT WORLD WEATHER

### Europe today

In the north-western part of Europe, a complex of two low pressure areas located over southern Scandinavia will cause concentrated cloud and numerous showers in the southern half of Scandinavia, the Netherlands, Germany and the Alps. The air will be cool with afternoon temperatures staying below 20C. In Finland, it will be slightly warmer. In the eastern Balkan States and further east, it will remain very warm, with some thunder showers. Over the British Isles, there will be mainly dry conditions with a few sunny spells, especially in the east. However, in Scotland a few showers will occur. A new disturbance from the west will cause drizzle in western Ireland and in the south-west of England later.

### Five-day forecast

By Thursday, the warmer air over the eastern part of Europe will be pushed further eastward and several thunder showers will cross Greece, the eastern Balkans, and western Russia where afternoon temperatures will drop 5C-10C degrees. In northern and western Europe, it will remain very cool and unsettled for the next several days. In the Mediterranean, high temperatures and abundant sunshine will persist.




**TODAY'S TEMPERATURES**

Forecasts by Meteo Consult of the Netherlands

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | sun | 41 |
| Accra | thund | 27 |
| Algiers | fair | 30 |
| Amsterdam | shower | 17 |
| Athens | sun | 35 |
| Bangkok | cloudy | 35 |
| Barcelona | fair | 26 |
| Beijing | fair | 31 |
| Belfast | cloudy | 16 |
| Belgrade | thund | 29 |
| Berlin | shower | 17 |
| Bermuda | fair | 29 |
| Birmingham | cloudy | 18 |
| Bogota | fair | 18 |
| Bombay | shower | 31 |
| Bordeaux | fair | 22 |
| Brussels | fair | 18 |
| Budapest | shower | 22 |
| Buenos Aires | fair | 14 |
| Cairo | sun | 36 |
| Cape Town | fair | 19 |
| Caracas | fair | 27 |
| Chicago | fair | 26 |
| Cologne | shower | 18 |
| Copenhagen | shower | 17 |
| D' Salaam | fair | 28 |
| Dakar | fair | 31 |
| Dallas | sun | 38 |
| Darwin | fair | 31 |
| Delhi | fair | 35 |
| Dubai | sun | 43 |
| Dublin | cloudy | 17 |
| Dubrovnik | thund | 32 |
| Edinburgh | fair | 18 |
| Faro | sun | 30 |
| Frankfurt | shower | 19 |
| Geneva | shower | 19 |
| Glasgow | cloudy | 17 |
| Hamburg | shower | 16 |
| Helsinki | rain | 17 |
| Hong Kong | fair | 31 |
| Honolulu | fair | 31 |
| Isle of Man | cloudy | 16 |
| Istanbul | sun | 33 |
| Jersey | cloudy | 16 |
| Karachi | cloudy | 35 |
| Kuwait | sun | 46 |
| La Paz | sun | 17 |
| Las Palmas | fair | 27 |
| Lisbon | fair | 33 |
| London | fair | 20 |
| Los Angeles | fair | 26 |
| Luxembourg | fair | 18 |
| Lyon | cloudy | 21 |
| Madeira | fair | 25 |
| Madrid | fair | 34 |
| Majorca | fair | 29 |
| Malta | sun | 33 |
| Manchester | fair | 17 |
| Manila | fair | 32 |
| Melbourne | cloudy | 14 |
| Mexico City | rain | 22 |
| Miami | fair | 35 |
| Milan | fair | 25 |
| Montreal | shower | 23 |
| Moscow | thund | 26 |
| Munich | shower | 17 |
| Nairobi | cloudy | 22 |
| Naples | fair | 28 |
| Nassau | fair | 31 |
| New York | sun | 29 |
| Nice | fair | 25 |
| Nicosia | sun | 36 |
| Oslo | shower | 17 |
| Paris | cloudy | 20 |
| Perth | shower | 16 |
| Prague | fair | 18 |
| R' de Janeiro | fair | 24 |
| Rangoon | shower | 30 |
| Reykjavik | fair | 14 |
| Riyadh | sun | 43 |
| Rome | fair | 27 |
| S' Francisco | fair | 19 |
| Seoul | fair | 28 |
| Singapore | thund | 31 |
| Stockholm | shower | 20 |
| Strasbourg | shower | 19 |
| Sydney | cloudy | 15 |
| Tel Aviv | sun | 34 |
| Tokyo | shower | 23 |
| Toronto | sun | 23 |
| Tunis | sun | 31 |
| Vancouver | fair | 21 |
| Venice | fair | 25 |
| Vienna | shower | 22 |
| Warsaw | shower | 22 |
| Washington | sun | 33 |
| Wellington | fair | 13 |
| Winnipeg | fair | 25 |
| Zurich | shower | 18 |

FINANCIAL TIMES
# COMPANIES & MARKETS



Wednesday July 21 1993



## INSIDE

### Efim creditors await vote on legal action

Foreign bank creditors of Italy's Efim state holding company should know next week whether a majority has voted for legal action against the company, and, possibly, the Italian government. Foreign bank creditors provided about L3,500bn ($2.2bn) of Efim's total borrowings of around L8,800bn to financial institutions. Efim entered voluntary liquidation last year. Page 14

### Siemens nudges ahead

Net profits at Siemens, Germany's biggest electricals and electronics group, rose 1 per cent to DM1.32bn ($774m) in the first nine months of the year to the end of June. Page 14

### Merck to cut 2,100 jobs

Merck, the world's biggest drugs group, is to cut 2,100 jobs by the end of the year, about 1,000 more than previously announced. It took a pre-tax $775m second quarter charge to cover the redundancies and other cost-cutting. Page 15

### NZ Rail faces flotation

A US-New Zealand consortium has paid NZ$328m (US$179m) for New Zealand Rail. It plans eventually to float as much as 40 per cent of the company on the local stock market. Page 16

### Alliance to boost beer

Carlsberg-Tetley and Eldridge Pope are forming a trading alliance to widen distribution and boost market share of their beer brands. Page 20; Lex, Page 12

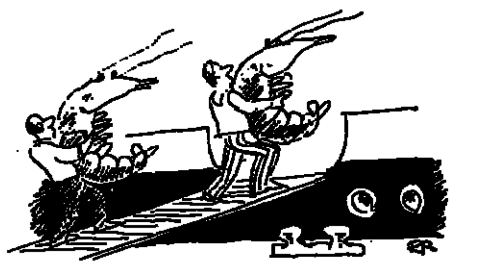
### Marling cuts its losses

Marling Industries reduced its pre-tax losses from £27.9m to £9.6m ($14.5m) in the year to March 31. The group plans to refocus on its core activities of safety belt webbing and industrial textiles. Page 21

### Opec urged to halt price fall

The world oil market looked to Opec for action this week to halt the collapse in prices caused by expectations of Iraq's return to the export market. Page 22

### King prawn



Several large Indian companies are entering the lucrative market of producing aquaculture such as shrimps, encouraged by the government to increase exports. Page 22

### Spain awaits government signals

Spain's Bolsa is looking for government signals that will hint at future interest rate movements and possible fluctuations in the value of the peseta. Until it is certain of reading such messages correctly, its watchword is caution. Back Page

### Market Statistics



### Companies in this issue



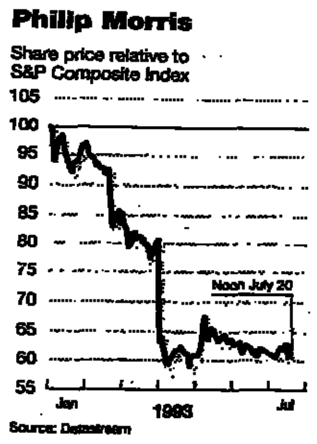
### Chief price changes yesterday

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **FRANKFURT (DM)** | | | | **PARIS (FFr)** | | | |
| **Rises** | | | | **Rises** | | | |
| Colonia Konzn Pf | 785 | + | 28 | Fonc Lyonnaise | 661 | + | 15 |
| Holzmann Ph | 994 | + | 25 | Paris Rescompt | 388.7 | + | 12.7 |
| Karstadt | 577 | + | 17 | **Falls** | | | |
| Rheinelektra | 1110 | + | 45 | Lafarge Coppee | 394.8 | – | 11.3 |
| Verein-West | 361 | + | 7 | Michelin B | 168.5 | – | 6.1 |
| **Falls** | | | | Peugeot | 618 | – | 15 |
| Volkswagen Prf | 286 | – | 8 | Vallourec | 194.8 | – | 4.1 |
| **NEW YORK ($)** | | | | **TOKYO (Yen)** | | | |
| **Rises** | | | | **Rises** | | | |
| Apple | 27½ | + | 1⅞ | Daido Steel | 584 | + | 16 |
| BMC Software | 55½ | + | 5 | Nagasakiya | 985 | + | 35 |
| Hewlett Packard | 75⅞ | + | 2⅜ | Nitsuko | 952 | + | 37 |
| Merck | 33⅞ | + | 1¼ | **Falls** | | | |
| Sears Roebuck | 50⅛ | + | 4⅛ | Akebono Brake | 580 | – | 21 |
| **Falls** | | | | Hazama Corp | 457 | – | 19 |
| IBM | 42⅞ | – | ⅜ | Kyotaru | 940 | – | 40 |

New York prices at 12:30.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **LONDON (Pence)** | | | | | | | |
| **Rises** | | | | Bass | 472 | – | 12 |
| Bridport Gundry | 85 | + | 4 | Brit Aerospace | 400 | – | 18 |
| Cosalt | 105 | + | 11 | Central Motor | 131 | – | 9 |
| Courts Cavndsh | 197 | + | 12 | Haemocell | 145 | – | 8 |
| Northern Elect | 523 | + | 13 | Laporte | 578 | – | 17 |
| Sakis | 55 | + | 3 | Marling Inds | 21½ | – | 2 |
| Transatlantic | 321 | + | 26 | Medeva | 110½ | – | 5½ |
| UK Land | 8½ | + | 4½ | NatWest | 491 | – | 15 |
| VSEL | 863 | + | 15 | Reliance | 117 | – | 13 |
| Vosper | 629 | + | 16 | Tiphook | 213 | – | 17 |
| Wellcome | 621 | + | 17 | Waste Mngmt | 579 | – | 58 |
| **Falls** | | | | | | | |
| Argyll Grp | 302 | – | 11 | | | | |

# Price war wounds Philip Morris




By Martin Dickson in New York

PHILIP MORRIS, the US food and tobacco group, yesterday announced a 22 per cent drop in second-quarter net earnings as its US cigarette profits slumped following April's sharp cut in the price of its Marlboro brand.

Net earnings were $1.1bn, or $1.20 a share, down from $1.35bn, or $1.48 a share, in the same period of last year on revenues which rose 4.2 per cent to $15.79bn.

Mr Michael Miles, chairman, said that the group's consumer businesses other than US tobacco were continuing to enjoy solid profits, up 13.3 per cent for the quarter. The company's announcement on April 2 that it would not make any US premium brand cigarette price increases, and was cutting the price of Marlboro, led to a significant reduction in wholesale inventories.

This in turn meant a 21.5 per cent decline in second-quarter US cigarette volume to 47.5bn units. Philip Morris said that primarily due to this reduced volume, and increased marketing expenses associated with the price cuts, second-quarter operating income for domestic tobacco was down 53.1 per cent at $684m.

However, market share growth in both the premium segment, from the Marlboro cuts, and in discount sales means Philip Morris' total retail share of the US tobacco market reached a record 43.6 per cent in the quarter.

The new pricing strategy for premium products, together with improved prices on discount products, "allow for future profits growth off the newly established base", the company maintained.

Its international tobacco operations saw operating income rise 15.6 per cent to $577m on revenues 25 per cent ahead at $4bn.

Marlboro's international sales volume continued to grow strongly, rising 2.2 per cent to 58.7bn units.

North American food operations had operating income 9.9 per cent higher at $667m, while revenues rose 1.6 per cent to $5.4bn. International food produced income of $269m, up 13 per cent, on revenues 19.9 per cent ahead at $2.5bn, due primarily to acquisitions and growth in confectionery, partly offset by currency movements.

Its Miller brewing company made $140m, up 21.7 per cent, on revenues 1.1 per cent higher at $1.2bn.

For the half-year, the group reported net earnings of $2.27bn, or $2.58 a share, compared with $2.45bn, or $2.68 a share, in 1992.

Lex, Page 12

## Flotation is designed to allow Fayed brothers to cut debts but keep Harrods

# House of Fraser set for the market

By Neil Buckley and Roland Rudd

THE FAYED brothers yesterday announced plans for the flotation of the House of Fraser department store chain next year – excluding the Harrods flagship.

The brothers believe the flotation of the 59-store chain will enable them to pay off their debts while allowing them to keep Harrods, always seen as the main object of their takeover of House of Fraser. They acquired the group for around £600m in 1985 after a battle with Lonrho, the conglomerate.

House of Fraser said the Fayeds had been advised by SG Warburg, their advisers, that a flotation was in the best interests of the chain and of the brothers. The group had not ruled out the possibility of a trade sale, but "we are not anticipating that".

Warburg is thought to have valued the stores at more than £500m, although analysts expressed scepticism at this.

Mr Ali Fayed stepped down as chairman of the stores chain yesterday and will be replaced by Mr Brian McGowan, former chief executive of Williams Holdings. The flotation is expected by early summer next year. The Fayeds will retain no stake in the stores and their holding company name will be changed.

As well as Harrods, the brothers will retain control of Turnbull and Asser, the upmarket shirtmaker, the Kurt Geiger shoe chain, the Barkers shops and office complex in Kensington, the Carlton Highland Hotel in Edinburgh, and the Harrods depository in London.

A management buy-out of the stores in April is believed to have failed because the management was unable to raise the £320m asking price.

In the same month, the Fayeds sold their 10.6 per cent stake in the Sears retailing group, rousing speculation that the group was in financial difficulties with debts of about £650m. House of Fraser group denied yesterday the Fayeds were under financial pressure. They had arranged a refinancing in April.

Before taking the job, Mr McGowan insisted he should be able to resign without giving notice to the Fayeds. "That preserves my independence."

Mr Derek Higgs, managing director of SG Warburg, asked Mr McGowan to take up the non-executive chairmanship a month after the bank had satisfied itself that the stores were a good candidate for flotation.

Lex, Page 12
House of Fraser, Page 19

# Fisherman rises for the big float

For a man who was looking forward to spending his time fishing, it appears to be an odd appointment. Mr Brian McGowan's chairmanship of the House of Fraser Stores may be non-executive, but as he conceded yesterday, his rod may have to stay at home for longer than he originally planned.

The idea of working on a flotation, which he regards as "meat and drink", was too enticing to turn down after the disappointment of not pulling off any big deal at Williams Holdings for several years. Mr McGowan does not officially step down as chief executive from the industrial conglomerate until the end of the year, although he has passed on most of his duties to his successor Mr Roger Carr.

Mr McGowan says he is aware, however, that accepting the chair of the House of Fraser Stores was not without its risks. While the HoF is to be kept a separate autonomous business there is always the possibility that Mr McGowan's image could be tainted by working for the Fayed brothers.

The takeover of the House of Fraser by the Egyptian brothers was one of the most controversial in UK corporate history. They were able to mount their bid when Lonrho, the international conglomerate, sold its 29.9 per cent stake in the HoF to the Fayeds for £138.3m ($207m) in 1984.

Mr Tiny Rowland, Lonrho's chief executive, believed initially he could work with the Fayeds. He had sold them the HoF stake because Lonrho had been twarted in its hostile bid for Harrods and its parent House of Fraser in 1981 when the Monopolies and Mergers Commission ruled it to be against the public interest.

**HOUSE OF FRASER (excluding Harrods)**

| Year-end Jan 31 | Sales (£m) | Operating profit (£m) | Pre-tax profit (£m) |
|---|---|---|---|
| 1991 | 698 | 46.6 | 30.5 |
| 1992 | 668 | 21.6 | 18.4 |
| 1993 | 695 | 36.8 | 32.8 |

Subsequently, Mr Rowland fell out with Fayeds, left the HoF board and Lonrho bought a new 6 per cent holding in HoF. In March 1985 the Fayeds bid about £600m for HoF and Lonrho sold its HoF shares in the market, which were bought by the Fayeds.

Mr Norman Tebbit, the then Secretary of State for Trade, dropped the 1981 bar on the Lonrho bid – three days after the Fayeds gained control. He decided not to refer the deal to Monopolies and Mergers Commission.

But the brothers were publicly censured, first by the Department of Trade and Industry and then last year by the Takeover Panel.

The panel said statements made by the Fayeds during the takeover may have created a misleading impression of their ability to finance the takeover.

The takeover has been the focus of a long-running legal battle between the Fayeds and Mr Rowland, who has ferociously pursued a campaign against the brothers. Lonrho still has pending an action against the Fayeds claiming damages.

Mr Mohammed Fayed and Mr Ali Fayed, his brother, dismissed the panel conclusions as "a minor matter" based on the critical report by Department of Trade inspectors.

But Mr McGowan accepts that it was more unwelcome publicity which contributed to the poor image of the brothers, which he believes in the main to be unfair.

"When I was first approached by Warburg [advisers to the stores group] to become chairman of the House of Fraser, I had, like most people, a number of preconceived, ill-informed ideas of the Fayeds, most of which turned out to be wrong."

He now describes them as "absolutely charming".

But as far as Mr McGowan is concerned, the history of the Fayeds is irrelevant to the impending flotation of the stores which he says are being kept completely independent from the brothers. The Fayeds will have no representatives on the board and "no influence whatsoever". If they try to exert any influence over the business Mr McGowan says he will resign.

However, after getting to know the Fayeds, Mr McGowan is confident that they will not change their mind over the planned flotation or try to influence his running of the company.

He nevertheless admits: "One cannot deny that there is in some quarters a credibility problem. That is one of the reasons for the long period between the announcement and the flotation."

He says he was delighted to find out that the Fayeds invested £100m in the stores over the past five years and has satisfied himself that there is "no black hole".

House of Fraser has given itself until late spring or summer next year to put its message across, by which time trading figures for 1993 will be available.

An adviser to the Fayeds said: "The two brothers know that they cannot try and change the terms of Mr McGowan's contract in any way. Mr McGowan does not have to give any notice if he decides to resign. The brothers know that if Mr McGowan were to resign and take up fishing again it would be enormously harmful."

**Roland Rudd**


Gone fishing? Not any longer. Brian McGowan was lured out of retirement by the prospect of a flotation

# Citicorp boosted by loan quality

By Richard Waters in New York

A SHARP drop in write-offs on property and commercial loans and a fall in loan-loss provisions fuelled a profits recovery at Citicorp, the US's largest banking group, in the second three months of the year.

The group's results echoed the improvement in credit quality reported by other US banks in recent days, due to firmer property prices and the first clear signs that the patchy US economic recovery is feeding through to banks' customers.

Record income from trading in the foreign exchange and securities markets also lifted Citicorp's after-tax profits, which reached $446m, up from $143m in the same period in 1992.

Write-offs on property and commercial loans at the banking group fell to $297m, down from $380m in the first quarter and well below the peak of $792m in the last quarter of 1991.

Lower losses on north American commercial property were behind the improvement: credit losses dropped from $527m in the second quarter of 1992 to $251m. "With the current level of interest rates, money is coming back into real estate because yields are so high," Mr Bill Rhodes, deputy chairman, said. Provisions for commercial and property loan losses made during the quarter were $273m, down from $583m a year before.

Income from trading in financial markets soared to $572m, from $314m a year earlier, topping the quarterly record for a US bank set by JP Morgan only a week ago with $431m. Some $352m (up from $193m) came from foreign exchange.

Leaving aside the lower credit charges and gains from trading, profits remained sluggish, contributing to a $⅜ decline in the group's share price to $31⅛ by midday. Mr John Reed, chairman, said revenue growth had been held back by "troubled economies in the developed world", but that developing countries had grown strongly.

Earnings per share in the second quarter reached 52 cents, up from 25 cents. For the first half net income was $1.1bn, or $2.06 a share, compared with $326m, or $0.61 a share, in the first six months of 1992, after an accounting change. The group's key tier one capital ratio, one of the lowest among big US money-centre banks, rose to 5.7 per cent from 5.3 per cent at the end of March.

US bank results, Page 15

# SmithKline Beecham rises 18%

By Paul Abrahams in London

SMITHKLINE Beecham, the Anglo-US healthcare group, reported an 18 per cent rise in pre-tax profits for the three months to June 30 to £294m ($443m), from £249m the previous year.

Turnover in the second quarter increased 19 per cent from £1.26bn to £1.51bn and the results were flattered by currency gains. Excluding exchange, sales of continuing operations rose 8 per cent and trading profits 10 per cent.

The company made an exceptional profit of £37m on the sale of its hair care products to Wella. The profit from the $320m disposal of its personal care brands to Sara Lee and a provision for the restructuring of the remaining consumer brands will be made in the third quarter.

The pharmaceuticals division reported a 13 per cent rise in trading profits £157m to £177m on sales up 22 per cent to £834m. However, at constant exchange rates sales and trading profits were only 7 per cent and 11 per cent higher. SB said the second quarter last year had been particularly strong.

Sales of SB's new products, Paxil, Kytril, Relafen and and Havrix, fell between the first and second quarter this year from £107m to £96m. The company blamed inventory destocking in the US after the launch of Paxil earlier this year.

Drugs sales in Europe rose only 1 per cent. Growth in the UK and France only partly offset steep declines of 9 per cent and 18 per cent in Germany and Italy, following healthcare reforms.

Mr Bob Bauman, chief executive, warned that the healthcare market was becoming more difficult to forecast and the long-term impact of the challenging economic and regulatory environment was not clear.

Animal health trading profits increased 22 per cent from £9m to £11m on sales up 21 per cent from £76m to £91m. At constant exchange rates sales and trading profits were rose 6 per cent and 20 per cent. Consumer brands operating profits rose 4 per cent from £34m to £36m, on turnover up 20 per cent. Excluding currency exchange, sales increased 9 per cent and profits were flat. Trading profits at clinical laboratories rose 19 per cent to £22m.

A second quarter dividend was declared of 2.533p per A share, 4.756 cents per equity unit and 23.78 cents per equity unit ADR.

Lex, Page 12; Details, Page 19

# Decision on Efim legal action expected next week

By Haig Simonian in Milan

FOREIGN bank creditors of Italy's Efim state holding company should know next week whether a majority has voted for legal action against the company, and, possibly, the Italian government.

The vote followed a tense 3½-hour meeting of foreign bank creditors in London last week at which bankers were asked to consider various options, including legal action.

The increased tension between foreign bank creditors, which provided about L3,500bn ($2.2bn) of Efim's total borrowings of about L8,800bn to financial institutions, follows mounting dissatisfaction among creditor banks at the failure to receive initial repayments, a year after Efim was put into voluntary liquidation.

Shortly before initial repayments were due at the end of April, a representative of Mr Alberto Predieri, the special administrator running Efim, said the situation would be frozen until a dispute over swap contracts undertaken by Efim was resolved.

The issue has since been overshadowed by the European Commission's refusal to approve the Italian government's repayment plans.

However, one banker involved said: "Even if the Commission gives its approval tomorrow, the Italians will not pay us back until the swaps are sorted out."

The dispute has incensed foreign bank creditors and raised a serious point of principle.

Although only one transaction is involved, bankers are trying to reconstruct whether other transactions may be at risk.

Last October, Bankers Trust terminated a swap contracted by Efim on the grounds of default.

The previous month, it had informed Mr Predieri and the Italian Treasury that the conditions of the swap were not being respected, and that it could be terminated.

The matter remained unnoticed until April, when officials from Mr Predieri's office told bankers no repayments would be made until the issue of the swap was resolved.

Terminating the swap, believed to include foreign exchange and interest rate elements, affected Efim's finances because of last year's lira devaluation. Details of the transaction have not been revealed. However, termination has increased Efim's foreign exposure in lira terms.

"I don't think the sums we are talking about are at all large in comparison with the principal and interest due on Efim's debts," said Mr John Reffell, a banker at Chase Manhattan in London, who is chairing the activities of the group of agent banks involved in Efim's foreign loans.

"It's a question of principle that's involved. You can't just demand that a swap be reinstated. That goes completely against market practice. The issue at stake is much broader than just Efim."

Bankers also argue the swaps were contracted independently of the loans.

"The banks involved in the loans are independent of the bank doing the swap. Moreover, the latter didn't necessarily swap the whole amount," said one banker.

# KLM, Northwest flights deal

By Ronald van de Krol in Amsterdam

KLM Royal Dutch Airlines said yesterday all its flights to the US from Amsterdam would operate as code-sharing services with Northwest Airlines, the US carrier in which it owns a minority stake.

The joint flights are due to begin in late September and will cover all 11 KLM destinations in the US.

The decision means that the airlines will fly their existing routes between the US and Amsterdam under a new dual flight number based on the old Northwest and the old KLM code. "By operating through joint ventures, the airlines can present their combined product through a central reservation system, optimising service to customers," the airlines said.

The use of a single flight number combining both airlines' codes is designed to encourage Northwest passengers to transfer to KLM flights, and vice versa.

The move was part of efforts to create a single, global route network, the airlines said.

Since the start of the summer season, the airlines have experimented with code sharing on flights to Minneapolis/St Paul, Detroit and Boston. The eight other cities that will be added are New York, Chicago, Washington, Atlanta, Orlando, Houston, Los Angeles and San Francisco.

# Skoda Pilsen plans turbine venture

SKODA Pilsen, one of the largest industrial corporations in the Czech Republic, plans a joint venture agreement with Siemens, the German engineering company, according to Czech news reports, Reuter reports from Prague.

Hospodarske Noviny, the economic newspaper, quoted Mr Lubomir Soudek, a Skoda director, as saying details of the deal would be announced after a preliminary agreement was signed in Pilsen today.

According to Mr Soudek, the companies agreed on capital participation and a few details needed to be settled before an agreement on co-production of steam engines could go ahead.

Siemens confirmed that the company was in discussions with Skoda about turbines.

# Marginal rise for Siemens at nine months

By David Waller in Frankfurt

NET profits at Siemens, Germany's biggest electrical and electronics group, rose by 1 per cent to DM1.32bn ($776m) in the first nine months of the financial year to the end of June.

Siemens said business had been "robust" in the nine months against the background of a weak world economy. Group turnover climbed by 2 per cent to DM55.8bn while order intake fell back by 5 per cent to DM59.9bn.

Business outside Germany compensated for a downturn in the domestic market. Turnover in Germany dropped 3 per cent but abroad rose 6 per cent to DM30.7bn.

Although the pattern was repeated with new orders, where there was a 12 per cent drop in Germany offset by a 2 per cent increase abroad, Siemens said this was not to be taken as a sign of a worldwide recovery.

The company said the growth in orders outside Germany was due to a number of large projects in plant-building and systems, rather than economic recovery.

The strong expansion in infrastructure business – which had lasted for the past three years – had reached a plateau, albeit at a high level, Siemens said. Business with industrial customers had weakened further, whereas there had been an increase in transportation and energy production systems. Together with construction-related products, these had been the areas of most substantial growth in turnover.

In common with other large German companies, Siemens has moved to cut staff numbers in a bid to reduce costs. At the end of June, the group employed 401,000 people worldwide, down from 413,000 at the beginning of the financial year. Despite this 3 per cent staff reduction, personnel costs rose by 6 per cent to DM26.3bn. Investments totalled DM4.7bn, down from DM6bn in the comparable period last year.

# KPN floats into land of the giants

**Ronald van de Krol** looks at the disposal of the Dutch telecoms group

With the third tranche of the privatisation of British Telecom completed, the next event in the world calendar of telecommunications privatisations is likely to be the flotation of Koninklijke PTT Nederland (KPN).

The sale of the Dutch PTT, widely expected to take place in the first half of 1994, probably in the spring, is likely to produce firsts at home and abroad.

The company, which analysts say is worth between Fl 16bn ($8.4bn) and Fl 22bn, will be sold in stages, with next year's tranche likely to be the Netherlands' biggest privatisation and the first of a household name. The Dutch government has said that it is prepared to sell two-thirds of the company.

The KPN flotation will mark the first time that a national government in Europe has opened up its postal operations to outside investors. Fortunately for the Dutch state, which is seeking the highest possible price for its shares, KPN's postal subsidiary, PTT Post, is one of only two postal services in Europe that make a profit. The other is the British Post Office.

Although the inclusion of the Netherlands' postal operations in the flotation is unfamiliar to most investors it is not expected to drag down the price at which KPN is floated. This is partly because PTT Post contributes just under 20 per cent of profits compared with 80 per cent by PTT Telecom, the telecommunications arm which is more directly comparable with other privatised telecommunications companies such as British Telecom.

**KONINKLIJKE PTT NEDERLAND**
**(Millions of guilders, consolidated)**

| | PTT Post | PTT Telecom | Others | Total |
|---|---|---|---|---|
| Net Turnover | 4,949 | 10,487 | 186 | 15,622 |
| Total operating income | 4,998 | 10,933 | 409 | 16,340 |
| Operating result | 394 | 2,789 | (82) | 3,101 |
| Profit after taxation | 299 | 1,330 | 35 | 1,664 |
| Average total capital | 3,130 | 22,454 | 988 | 26,572 |
| Return on average total capital (%) | 12.6 | 12.4 | (8.3) | 11.7 |

Source: Koninklijke PTT Nederland 1992 annual report

Mr Manus Fleskens, an analyst at Barclays de Zoete Wedd in Amsterdam, noted that the Dutch postal service was highly-automated and well-managed and produced a consistent record of profits. "It has good prospects for the future, both in expanding its size of operations and its profits generally."

Although the Netherlands has a mature telecommunications market, KPN is regarded as a solid player because its costs are low and because its home market is internationally-orientated, generating lucrative international telephone traffic. In a recent research report, Morgan Stanley described KPN as being in the forefront of telecommunications and postal liberalisation in Europe, while BZW rated it as potentially "the most attractive of the European quoted telephone companies".

In 1992, KPN posted net profit of Fl 1.67bn on turnover of Fl 15.6bn, a rise of 3.4 per cent on the year before.

Predictions for the value of KPN hinge not so much on investors' perceptions of the postal activities as on the company's expected dividend policy. KPN pays out 40 per cent of net profits to the Dutch state, and initial indications are that this level will not be raised significantly in the first few years after privatisation.

Partly balancing this, Dutch regulators are expected to adopt a relatively benign attitude to post-privatisation pricing of postal and telecommunication services, meaning that KPN will not face overly strict constraints on either of its businesses.

So far, analysts have assigned a broad Fl 16bn-Fl 22bn range for the total value of KPN, meaning that a first 30 per cent tranche could be worth more than Fl 5bn. Much will depend on the climate of the Amsterdam bourse next year; the details of the flotation legislation that is being examined by parliament; and, to a lesser extent, whether the government will want to build in incentives to entice private shareholders.

Last month, the Dutch state chose NM Rothschild & Sons, the British investment bank to advise on all aspects of the sale, including the flotation price.

KPN has chosen another Anglo-Saxon investment house, Goldman Sachs, to act on its behalf. Dutch banks, passed over in the Netherlands' most significant privatisation since the flotation of DSM, the chemicals group, in the late 1980s, are expected to win prominent roles in the underwriting syndicate.

Unlike the British government, the Dutch government has never given any priority to increasing the country's base of small shareholders through privatisation. Incentives are therefore more doubtful, although not ruled out.

Rather than pursuing ideological goals, the state's sell-off is designed to bolster KPN's position in the fast-changing world of telecommunications and postal services.

KPN is smaller than BT, AT&T and other privatisation candidates such as Deutsche Telekom of Germany, but it is determinedly trying to compete with its bigger rivals in providing telecommunication services to multinational companies.

Its vehicle for this competitive and expensive area of international telecommunications is Unisource, a venture with Sweden's Televerket and Swiss Telecom. This pits the Dutch company against BT's Syncordia and the French-German joint venture Eunetcom as well as against AT&T's Worldsource partnership.

By buying shares in KPN, investors will not be gaining access to one of the dominant companies of the industry. However, KPN's attraction lies in its plucky and nimble efforts to hold its own and expand its influence in a global sector where national barriers are swiftly being dismantled.

# Bank in Liechtenstein group ahead

By Ian Rodger in Vienna

BIL GT, the financial group built around Bank in Liechtenstein, has reported a 53 per cent jump in consolidated net income in the first half of 1993 to SFr69m ($46m).

Like other banking groups based in the Swiss market, the group has benefited from an unusual combination of rising and active securities markets, declining interest rates, large inflows of funds and relatively stable expenses.

BIL GT said all its companies contributed to the overall increase in assets under administration to SFr44.8bn at June 30, up 16 per cent from a year earlier. Assets under management rose 21 per cent to SFr24.6bn.

A 25 per cent advance in group revenues to SFr255m resulted from a substantial increase in net interest income and brokerage earnings together with increased investment management fees and higher dealing profits.

Administrative expenses were up only 10 per cent, and most of it was attributed to the higher business activity level.

The directors said they were confident of achieving "a good business year".

# French retailer changes hands

By John Ridding in Paris

IMMOBILIERE Phenix and Altus Finance have taken control of Fnac, the French retailing group, after exercising options granted to them last week by GMF, the French insurance group. The two companies acquired 50.01 per cent of Fnac for FFr2,928 per share, valuing it at FFr2.4bn ($444m).



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on 21.07.93: Pool purchase price £/MWh | Final Prices for Trading on 23.06.93: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 18.18 | 18.07 | 18.07 |
| 0100 | 18.18 | 18.05 | 18.05 |
| 0130 | 18.18 | 18.05 | 18.05 |
| 0200 | 18.18 | 18.05 | 18.05 |
| 0230 | 18.18 | 18.06 | 18.06 |
| 0300 | 18.18 | 18.06 | 18.06 |
| 0330 | 18.18 | 18.06 | 18.06 |
| 0400 | 18.18 | 18.06 | 18.06 |
| 0430 | 18.18 | 18.06 | 18.06 |
| 0500 | 18.18 | 18.05 | 18.05 |
| 0530 | 19.62 | 18.06 | 18.06 |
| 0600 | 18.18 | 33.00 | 33.00 |
| 0630 | 18.04 | 33.00 | 33.00 |
| 0700 | 19.62 | 20.63 | 24.62 |
| 0730 | 25.40 | 25.59 | 29.65 |
| 0800 | 25.40 | 25.80 | 29.67 |
| 0830 | 25.59 | 25.81 | 29.58 |
| 0900 | 28.54 | 29.18 | 33.27 |
| 0930 | 28.38 | 29.20 | 33.29 |
| 1000 | 28.43 | 29.22 | 33.30 |
| 1030 | 28.46 | 29.23 | 33.32 |
| 1100 | 31.08 | 29.25 | 33.34 |
| 1130 | 34.45 | 29.27 | 33.37 |
| 1200 | 34.51 | 29.28 | 33.37 |
| 1230 | 34.44 | 28.94 | 33.02 |
| 1300 | 34.30 | 28.90 | 32.95 |
| 1330 | 27.83 | 26.13 | 30.05 |
| 1400 | 25.95 | 26.11 | 30.03 |
| 1430 | 25.92 | 25.61 | 29.51 |
| 1500 | 25.92 | 25.60 | 29.51 |
| 1530 | 25.92 | 25.60 | 29.51 |
| 1600 | 25.95 | 25.61 | 29.51 |
| 1630 | 33.75 | 31.51 | 35.60 |
| 1700 | 36.83 | 34.04 | 38.16 |
| 1730 | 38.79 | 34.03 | 38.15 |
| 1800 | 33.65 | 33.01 | 37.18 |
| 1830 | 25.40 | 25.60 | 29.52 |
| 1900 | 25.40 | 25.59 | 29.54 |
| 1930 | 25.40 | 23.98 | 27.86 |
| 2000 | 25.40 | 23.98 | 27.93 |
| 2030 | 25.14 | 23.96 | 28.01 |
| 2100 | 24.55 | 23.58 | 27.55 |
| 2130 | 35.54 | 32.69 | 36.88 |
| 2200 | 35.54 | 38.00 | 40.02 |
| 2230 | 35.54 | 44.00 | 48.30 |
| 2300 | 28.00 | 44.00 | 48.62 |
| 2330 | 20.50 | 24.04 | 27.97 |
| 2400 | 18.46 | 22.04 | 26.12 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.80/MWh becomes 1.680p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-459789 between 8:30am and 5:15pm Monday to Friday.
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## INTERNATIONAL COMPANIES AND FINANCE

# Signs of recovery in US banking

By Richard Waters in New York

US BANK shares rose in early trading yesterday on earnings reports that pointed to a marked recovery in the quality of real estate and commercial loan assets, although profit-taking later left some shares down on the day.

Wells Fargo, the California-based bank hit by troubled property lending, said net income for the second quarter rose to $149m, or $2.46 a share, compared with $82m, or $1.33, a year ago.

Although income fell and costs rose, the figures were boosted by a sharp fall in loan-loss provisions to $140m, down from $300m last time.

However, the company said it was still concerned about the Californian economy. Net loan write-offs were $138m, against $184m a year ago.

Net interest income fell to $658m from $671m as loan volume declined slightly and interest margins remained steady. Other income rose to $275m from $271m. Operating expenses advanced by 5 per cent, or $25m, to $531m.

Due to lower provisions, return on equity for the period rose to 16.73 per cent, from 12.1 per cent in the first quarter and 9.55 per cent a year ago. Net income for the first half was $257m, or $4.18, compared with $201m, or $3.42, last time.

Declining provisions also helped fuel a 22 per cent advance in net income for the quarter at NationsBank, the North Carolina-based "super-regional" bank which has grown by acquisition into the nation's fifth largest. The charge for credit losses fell to $110m from $150m a year ago as net income jumped to $306m, or $1.19, from $251m, or 98 cents fully-diluted.

The advance came in spite of "a still less-than-robust economic recovery," said Mr Hugh McColl, chairman. First-half net income reached $787m, or $2.28, from $561m, or $2.22, in the first half of 1992.

Loan growth was "exceptionally strong" during the period, the company said, with total outstanding loans rising by $2.8bn, or 16 per cent, from the previous quarter. Return on equity was 14.65 per cent, against 14.21 per cent.

Banc One, the Ohio-based super-regional bank which also counts itself among the 10 largest in the US, reported net income of $282m, or $1.01, up from $243m, or 87 cents a year earlier. First-half after-tax profits were $569m, up from 1992's restated $425m. Second-quarter results were lifted by a rise in the net interest margin to 6.3 per cent from 5.96 per cent.

The takeover in May of The Boston Company, a trust and investment management company, led Mellon Bank to report second-quarter net income of $99m, or $1.32, compared with $90m, or $1.41, after the effect of a favourable tax position a year before ($64m, or $0.95 a share, excluding the one-off tax treatment).

Net interest revenue was $314m, up from $281m a year before, while fee income climbed to $281m from $203m.

Leaving aside the effects of the Boston acquisition, the income figures would have been $300m and $243m respectively. Provisions for credit losses fell to $35m, from $50m, while return on equity rose to 13.69 per cent from 11.37 per cent (before the one-off tax benefit). First-half net income was $133m, or $1.63, down from $176m, or $2.77, last year.

**RECORD income from trading was the main factor behind a 59 per cent rise in net income at Chemical Bank in the second quarter, to $381m, writes Richard Waters.**

**In common with other big US banks, Chemical reported a sharp rise in income from trading in foreign exchange and other financial markets, up at $298m from $170m in the same period in 1992.**

**The bank also recorded a 7 per cent rise in net interest income, to $1.175bn.**

**Provisions for credit losses rose to $363m, from $345m a year ago, although provisions for the first half as a whole were down at $675m, from $720m in the corresponding period.**

**Mr Walter Shipley, president, said that the bank had seen a "sharp improvement in credit quality" during the quarter, with non-performing assets falling by $843m.**

**Second quarter earnings per share were $1.39, against 83 cents in the same quarter of 1993.**

**First half net income rose to $755m, or $2.70, from $500m, or $1.83, in the 1992 period.**

**Chemical estimated that its Tier 1 capital ratio had risen to 7.6 per cent by the end of June, from 7.0 per cent at the end of the first quarter.**

# Sharp rise in second-term earnings at Monsanto

By Karen Zagor

**MONSANTO, the US chemicals group, yesterday unveiled a sharp rise in second-quarter earnings led by a strong performance by its agricultural businesses.**

**This more than offset a decline in underlying operating income from its chemical segment and lower operating income from its NutraSweet artificial sweetener operations.**

**Net income was $200m, or $1.66 a share, on sales of $2.23bn, compared with $105m, or 86 cents, on sales of $2.05bn last year. Operating income climbed to $326m in the latest quarter from $185m.**

**Operating income from the agricultural group rose more than 50 per cent to $258m, adjusted for a pre-tax charge of $19m last year.**

**Mr Richard Mahoney, chairman and chief executive, said: "The single largest contributor to worldwide agricultural growth this year has been the rapid adoption of minimum tillage techniques by farmers, a trend which was further accelerated by exceptional weather conditions."**

**Agricultural sales grew to $743m from $532m.**

**Operating income from Monsanto's chemical group rose to $75m from $59m, but the 1992 quarter included a pre-tax extraordinary charge of $41m.**

**The company blamed weak economic conditions in Europe and Japan for the performance of its chemical operations. Chemical sales slipped to $933m from $967m.**

**The Searle pharmaceutical unit posted an operating loss of $37m, against a loss of $53m last year, while sales rose to $368m from $314m.**

**NutraSweet recorded operating income of $42m on sales of $186m, compared with $48m on sales of $232m.**

**First-half net income was $341m, or $2.83, on sales of $4.17bn, against a net deficit of $283m, or $2.30, on sales of $4.02bn a year ago. Stripping out the impact of accounting charges, Monsanto earned $257m in the 1992 period.**

# Job losses force Merck to take $775m charge

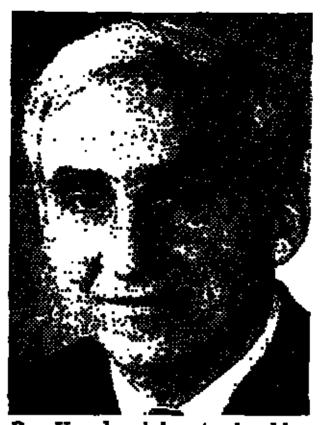
By Karen Zagor in New York

MERCK, the world's biggest drugs group, yesterday said it was taking a pre-tax $775m second-quarter charge to cover voluntary redundancies and other cost-cutting measures.

The group added that it would cut about 2,100 jobs by the end of this year, about 1,100 more than previously announced.

Stripping out the charges, Merck posted a 9 per cent rise in underlying second-quarter profits to $693.6m, or 61 cents a share, against $643m, or 56 cents, last year. Including restructuring charges, Merck recorded net income of $172.6m, or 15 cents, in the 1993 quarter. Sales rose 8 per cent to $2.57bn from $2.37bn.

The second-quarter figures were in line with analysts' expectations, although below Merck's traditional double-digit earnings growth.



**Roy Vagelos: job cuts should save more than $140m a year**

Nevertheless, Wall Street was enthusiastic about the restructuring plans, and at mid-session shares in Merck were $1¾ higher at $33¼ in a declining market.

Merck said it had cut about 2,100 jobs since March, significantly above its earlier short-term goal of reducing its work force by 1,000.

Many of these positions will be eliminated permanently. In the longer term, Merck plans to continue streamlining its facilities and trimming its workforce, mainly outside the US, starting next year.

Mr Roy Vagelos, chairman and chief executive, said the reduced employment costs should save more than $140m annually.

For the first half, Merck posted net income of $786.3m, or 69 cents, against $740.3m, or 64 cents, a year ago.

Excluding the restructuring charges in 1993 and charges for accounting changes in 1992, earnings rose 9 per cent to $1.31bn from $1.2bn.

# Warner-Lambert improves 6%

WARNER-LAMBERT, the large US drugs group, reported a 6 per cent improvement in second-quarter earnings to $189.9m, or $1.40 a share, on sales which rose 6 per cent to $1.45bn, Karen Zagor writes.

A year earlier, the company earned $177.8m, or $1.32, on sales of $1.37bn.

A 29 per cent improvement in consumer sector sales outside the US offset a 2 per cent decline in the US and a 6 per cent drop in worldwide pharmaceutical sales to $532m from $566m. US pharmaceutical sales were hurt by the loss of about $34m in sales related to manufacturing and regulatory compliance issues in Puerto Rico.

Mr Melvin Goodes, chairman and chief executive, said the company was close to reaching a settlement with the Food and Drug Administration over its manufacturing plants, mainly in Puerto Rico.

Earlier this month, Warner-Lambert said that the planned settlement, in the form of a consent decree, would reduce earnings.

"At this point, its financial impact appears to be manageable," said Mr Goodes. "However, coupled with the delay in Cognex [a treatment for Alzheimer's disease] approval, it will undercut our ability to generate double-digit earnings growth for the year."

For the first half, Warner-Lambert posted net income of $372m, or $2.75 on sales of $2.78bn, against $341.5m, or $2.54, on sales of $2.68bn.

# Canadian group raises claim against TML

**ESC Wagons, the consortium building shuttle-train carriages for the Channel tunnel, has raised the amount of its legal claim against Trans-Manche-Link, the tunnel's main contractor, writes Bernard Simon in Toronto.**

**Bombardier, the Canadian transport group which heads ESC, said yesterday it was still trying to negotiate a settlement of the dispute over additional work required to meet TML's changed specifications. But Bombardier said it planned to press its claim in court if it did not receive "an early and positive reaction".**

**ESC is claiming a total of FFr3.39bn ($584.5m), compared with the FFr2bn claimed last December. The company said the difference reflected further "delays and disruptions resulting from TML's actions".**

# Sears, Roebuck back in black

By Laurie Morse

SEARS, Roebuck yesterday said it had returned to profitability, reporting record second-quarter earnings of $580.6m, or $1.51 a share, excluding unusual items, compared with $325.5m, or 85 cents, for the same quarter last year.

The diversified US group is in the middle of a restructuring, having spun off the last of its Dean Witter Reynolds brokerage unit. It has also sold 20 per cent of Allstate Insurance, and all of the Coldwell Banker property group.

The unusual items include a gain of $635.1m from the initial public offering of Allstate Corp, a $145.3m charge for debt reduction, and a $64m loss on its sale of Coldwell Banker Residential Services. If these items were included, Sears' second-quarter earnings were $1.01bn, or $2.63 per share.

Sales from Sears' continuing operations increased 5.6 per cent to $12.16bn, from $11.51bn a year ago.

Its core retail merchandising group had second-quarter income of $162.5m, on sales from continuing operations of $6.85bn, compared with year-ago earnings of $131.1m and sales of $6.46bn. Sears pulled out of its loss-making catalogue business during the second quarter.

Mr Edward Brennan, chairman, said the record second quarter was the result of the successful repositioning programme and improved operating performance of its core businesses.

Sears' results include those of the merchandising group, the 80 per cent of Allstate it still owns, and the Homart Development property group.

In its first publicly-reported earnings as a publicly-traded company, Allstate announced second-quarter earnings of $396.7m, or 94 cents, compared with $229.6m, or a pro-forma of 53 cents per share in the second quarter last year.

Sales rose 4.2 per cent to $5.23bn, from $5.02bn last year.

Underwriting losses fell to $1.7m, down from the loss of $253.8m the second quarter of 1992. Catastrophe losses for the second quarter were $118.6m, against $275.4m in the second quarter of 1992.

Dean Witter Discover reported second quarter income of $157.1m, up 42 per cent on a comparable basis from the second quarter of 1992. On a per share basis the results were 92 cents, up from a pro forma 57 cents in 1992. Second quarter revenues were $1.42bn.

The company's spin-off from Sears, Roebuck was completed June 30.

# PepsiCo ahead 13% at $426m

By Martin Dickson in New York

PEPSICO, the US food and soft drinks group, yesterday reported a 13 per cent increase in second-quarter net income, with strong growth in its snack foods and beverage business more than offsetting lower profits on the restaurants side.

The company reported net income of $426.8m, or 53 cents a share, up from $378.8m, or 47 cents, in the same period of last year. Net sales rose 15 per cent to $5.89bn.

For the first six months the group reported net income of $687m, or 85 cents, compared with $613m, or 76 cents, before accounting changes in the same period of 1992.

Pepsi said that in the latest quarter its international operating profit rose 32 per cent. Excluding acquisitions within the last year, sales and operating profit improved 8 per cent and 11 per cent respectively.

Mr Wayne Calloway, chairman, said he was pleased the company managed to achieve double-digit earnings per share growth, on top of a 21 per cent increase in the same period of 1992, despite the cost of a new initiative at its Pizza Hut restaurant chain and higher US potato costs, which affected its Frito-Lay snack foods business.

Worldwide restaurant earnings dropped 5 per cent to $166.3m on sales 12 per cent ahead. Earnings at Pizza Hut dropped 15 per cent to $66.5m, with both US and international profits down. The fall in US profits was due partly to the launch of the new Bigfoot Pizza, a larger, more value-oriented dish, while the international side suffered from continued volume declines in Australia and losses in Spain.

Kentucky Fried Chicken saw earnings drop 15 per cent to $42.4m. However, snack food profits rose 18 per cent to $276.3m on a 21 per cent increase in sales, and beverage earnings rose 18 per cent to $341.5m on sales up 13 per cent.

The recent product tampering hoax in the US, where syringes were alleged to have been found in Pepsi cans, occured after the end of the quarter.

# European recession hits Honeywell

By Louise Kehoe in San Francisco

HONEYWELL, the US electronic control systems group, reported a drop in net income and revenues for the second quarter.

Sales were $1.45bn, down from $1.49bn in the same period last year. Net income was $71.4m, or 53 cents a share, including an after-tax gain of $13.9m, or 10 cents, from the settlement of a lawsuit with Unisys. The gain was offset by special charges of $13.3m after taxes to improve productivity.

In the same period last year, net income was $81.8m, or 58 cents a share, including $7.4m, or 6 cents, after-tax from litigation settlements.

Second-quarter operating profit, excluding special charges, was $131.7m, compared with $152.3m last year.

"We are delivering solid financial performance in the face of very difficult business conditions worldwide," said Mr Michael Bonsignore, chairman and chief executive.

In addition to a cyclical decline in the commercial aviation industry, the company's difficulties have been compounded by the deepening recession in Europe, especially in Germany, he added.

"Despite the difficult environment, we expanded research and development investment by 15 per cent," Mr Bonsignore said. During the quarter, Honeywell purchased $64m in shares as part of its five-year, $600m share buy-back programme.

Honeywell's space and aviation business was down sharply in the quarter, with operating profit of $48.5m on sales of $424.7m, compared with an operating profit of $61.4m on sales of $460.9m in the same period last year.

First-half income was $128.7m, or 95 cents a share, against $50.7m, or 36 cents, last year. Sales were $2.89bn, against $2.97bn a year earlier.

# Amdahl loss worse than expected

By Louise Kehoe

AMDAHL reported heavier than expected losses for the second fiscal quarter as its revenues dropped by one-third.

The US mainframe computer manufacturer said poor economic conditions, particularly in Europe, and a trend toward decentralised computer systems had reduced the volume of its business.

Net losses for the quarter were $23.7m, or 21 cents a share, on revenues of $463.2m against net income of $16.9m, or 15 cents, on higher revenues of $693m in the same period last year.

First-half losses were $263.4m, or $2.32, including after-tax charges of $177.4m in the first quarter, when the company cut back manufacturing capacity with the loss of 1,000 jobs. In the first half of 1992, net income was $21.3m, or 19 cents. First-half sales were $843.9m, against $1.19bn last year.

Amdahl said it had cut costs during the quarter by reducing its workforce and closing surplus manufacturing facilities. It also reduced inventories and cut capital spending.

The company added that the shift away from central mainframe computers towards networks of smaller computers was more pronounced in some industry sectors than others. It said a customer survey suggested growth in mainframe computer sales would vary widely depending on the business involved.

Last month Amdahl and Electronic Data Systems formed a joint venture software company, the Antares Alliance Group, which is working on software that will speed the development of applications programs.

Last week, Amdahl also announced an agreement with Fujitsu, the Japanese computer manufacturer, and ICL of the UK to collaborate in the development of a common UNIX operating system for the companies' computer products.

Fujitsu holds an equity stake in Amdahl and owns ICL.

# Hong Kong listing for state-owned Chinese shipyard

By Simon Holberton in Hong Kong

GUANGZHOU Shipyard International yesterday came to the Hong Kong Stock Exchange for HK$307m (US$39m) with an issue which will result in 42.7 per cent of the company being sold to the public.

The shipyard is the third of nine Chinese state enterprises to be listed on the exchange.

GSI will issue 145m "H" shares at HK$2.08 a share to give a prospective price earnings ratio of 8.3 on estimated 1993 net earnings or not less than Yn85m ($14.8m). In addition, the company will issue 12.4m "H" shares to independent third parties.

Proceeds will be used to increase working capital. GSI's principal activities include shipbuilding, container manufacturing and ship repair. The company – which builds naval as well as civilian vessels – is one of the eight largest shipyards in China and is controlled by the China State Shipbuilding Corporation.

The company can build ships up to 40,000 dwt and has an annual capacity of 150,000 dwt; it has plans to increase ship size to 60,000 dwt and annual capacity to 200,000 dwt. GSI's annual container manufacturing capacity is 18,000 TEUs (twenty feet equivalent units). Most are exported.

GSI made a net profit of Yn67.6m for 1992, up 42.3 per cent. Turnover was Yn848.6m, against Yn586.4m.

According to the company's prospectus, dividends paid to foreign investors will be subject to a 20 per cent withholding tax. Last year GSI had net tangible assets of Yn640.9m.

# Consortium buys New Zealand Rail

By Terry Hall in Wellington

A US-New Zealand consortium has paid NZ$328m (US$179m) for New Zealand Rail. It plans *eventually to float some of the* company – possibly 40 per cent – on the local stock market.

Ms Ruth Richardson, New Zealand's minister of finance, said the deal, which includes the inter-island ferry service but excludes NZ Rail running track, is after NZ$62m of debt repayment.

The consortium consists of Wisconsin Central Transportation, the biggest railway operator in the US, Berkshire Partners of Boston, a US equity investment group, and Fay, Richwhite, the New Zealand merchant bank.

*Fay*, Richwhite said the flotation was planned for 1996 at the earliest once NZ Rail was able to demonstrate a consistent earnings performance under private ownership. Last year it made an after-tax profit of NZ$36.3m.

Wisconsin Central operates across 2,000 miles of track in the US and Canada. Mr Ed Burkhardt, president, said his company intended to remain a long term investor in NZ Rail which would roughly double the size of Wisconsin Central.

He said there were similarities, as his company's focus was on the haulage of forestry, coal, pulp and paper and dairy products.

Mr Burkhardt said employee numbers at NZ Rail were 5,000, down from 27,000 in 1984. He said that while Wisconsin Central had 1,050 staff the companies were different. His company did not run a large ferry service or passenger trains which were more labour intensive.

The New Zealand government will retain the right to introduce another operator on the railway line if freight and passenger traffic falls below 50 per cent of current volumes.

*Ms Richardson* said NZ Rail would continue to receive a government subsidy at around the current level of NZ$28m a year. NZR also receives a regional bodies subsidy. She said these would assure continuation of the passenger service. NZ Rail would need a NZ$600m capital injection by the end of the decade and another NZ$800m by 2010.

# JCI group shows sharp increase in earnings

By Philip Gawith in Johannesburg

LOWER unit costs and a higher gold price helped the three gold mines in the Johannesburg Consolidated Investments group to a strong advance in profits for the three months ended June, compared with the preceding quarter.

After tax and capital spending, group profits rose by 61 per cent to R58.8m ($17.6m).

Western Areas pushed up its earnings by 102 per cent to R22.2m after tax and capital expenditure; Randfontein increased its profits by 26.7 per cent to R34.4m; and Joel made a profit of R2.2m.

The average yield of the mines rose for the sixth consecutive quarter to 4.81 grammes/tonne while unit costs fell to R27,583/kg.

The average gold price received rose by 4.2 per cent to R35,181 per kg.

One result of the better price was that employees received, for the first time, a metal price bonus.

Taken together with cost containment bonuses, the group paid out bonuses totalling R8.1m during the three months.

A second result was that JCI chose, for the first time, to disclose the extent of its hedging activities.

Mr Kennedy Maxwell, chairman of the gold and uranium division, said yesterday that, given the reversal over the past few months in the bullion price trend, shareholders were obviously anxious to know the extent to which mines had made forward sales.

The figures reveal that the three mines have hedged about 50 per cent of their production in the year ahead at prices of R36,300 to R37,400 per kg. The current gold price is about R42,440 per kg.

Mr Maxwell said that if current gold prices were maintained, the portion of production hedged in future would come down "quite considerably".

# S&P lifts McGraw-Hill result

By Martin Dickson in New York

McGRAW-HILL, the US-based publishing and information services group, reported a 17.3 per cent rise in second-quarter net income, buoyed by a jump in profits at Standard & Poor's, the credit rating agency.

McGraw-Hill raised net income to $43.18m, or 88 cents a share, up from $36.79m, or 75 cents, in the same period of last year, on revenues up 1.4 per cent to $490.9m.

The group's financial services business produced a 25.1 per cent increase in operating income on a 14.5 per cent rise in revenue, thanks to Standard & Poor's, which continued to benefit from new issues volume in the US and international securities markets.

The J.J. Kenny business also showed "fine growth" as investments in technology led to productivity gains.

Information and publication services saw an 8.2 per cent drop in revenue and a 20.6 per cent fall in operating profits. Advertising at Business Week magazine fell 16 per cent in April and May, and did not begin to regain momentum until June.

Educational and professional publishing suffered a $2.1m drop in operating profits, and broadcasting was down 12.7 per cent.

However, the group's share of the MacMillan/McGraw-Hill School Publishing Company's profits rose 72.4 per cent, to $11.2m.

Mr Joseph Dionne, chairman, said the slow growth of the US economy would mean a "challenging second half for some of our businesses, particularly in advertising and construction.

"But continued growth in financial services from new financing, new products and global expansion should keep us moving ahead."

For the first half the company reported income up 18.9 per cent at $58.43m on revenues 2 per cent ahead at $957.8m. Earnings per share were $1.19, against $1.00.

# Eli Lilly turnover advances 6%

By Richard Waters in New York

ELI LILLY, the US pharmaceuticals group which went through a shake-up of top management last month, reported a 6 per cent advance in sales for the second quarter of 1993, compared with the same period a year earlier, confounding the more gloomy market predictions.

Net income rose to $346.8m, or $1.18 a share, from $340.2m, or $1.16. The result was ahead of market expectations, although still below the $1.23 a share achieved in the first quarter of this year.

Sales totalled $1.56bn, compared with $1.48bn in the second quarter of 1992, led by growth in international markets. The rise came in spite of moves by Germany to contain spending on drugs, the company said.

Pharmaceutical sales in the US were dampened by the *effects of Medicaid rebates, the* growth of institutional buying of drugs through managed-care programmes, and continued competition in anti-infective drugs.

Lilly has been hit by concern over its failure to produce new big-selling drugs, which contributed to the resignation last month of Mr Vaughn Bryson, chief executive.

*Spending* on research and development rose to $470m in the second quarter, up 11 per cent on a year earlier. The company said this reflected "the increased number of compounds that are entering the final phases of clinical research".

Before the effect of accounting changes, net income for the first half fell by $102m to just over $1bn, pushing earnings per share down from $2.66 to $2.45.

However, after accounting changes, earnings rose from $2.26 to $2.42 a share.

# News Corp aims to target Asia market with Telstra

NEWS Corporation, Mr Rupert Murdoch's media group, is in the process of forming an alliance aimed at the Asia media market with Telstra, Australia's biggest telephone company, Reuter reports from Canberra.

Industry sources said the *state-run* Telstra *has* informally advised the Australian government that the alliance would pursue investments in such services as pay television and home shopping.

This is the third recent deal between News Corp and Telstra. They plan to take a substantial stake in Seven Network, the Australian television operator: and they are also in a consortium bidding to operate pay television in Australia.

Any alliance would combine the expertise of Telstra with News Corp's media experience and *access to TV material*.

News Corp owns newspapers, magazines, the US-based Fox and its subsidiaries Fox Network and Twentieth Century Fox plus 50 per cent of BSkyB, the UK satellite broadcaster.

# Income ahead at Rockwell Int'l

By Martin Dickson

ROCKWELL International, the California-based high technology group, recorded a 20 per cent increase in third-quarter net income and forecast that full-year earnings per share would be at least 15 per cent higher than last year.

The group reported net income of $147.2m, or 66 cents a share, compared with $122.6m, or 55 cents, in the same period of last year. Sales rose from $2.7bn to $2.8bn.

Mr Donald Beall, chairman, said third-quarter figures were ahead of the company's expectations, with three of its four business units reporting substantial earnings increases – aerospace and automotive were each up 38 per cent while electronics, the group's largest business, was up 28 per cent.

The fourth, graphics, had a loss, due to "continued depressed worldwide newspaper printing press markets".

The company said, however, that it was beginning to see signs of an upturn in demand for large newspaper presses.

For the first nine months, net income was $411.9m, or $1.87 a share, up 19 per cent over the $344.9m, or $1.54, reported the previous year prior to accounting changes.

Mr Beall said the third-quarter figures demonstrated performance improvements through company-wide initiatives in "progressive management practices".

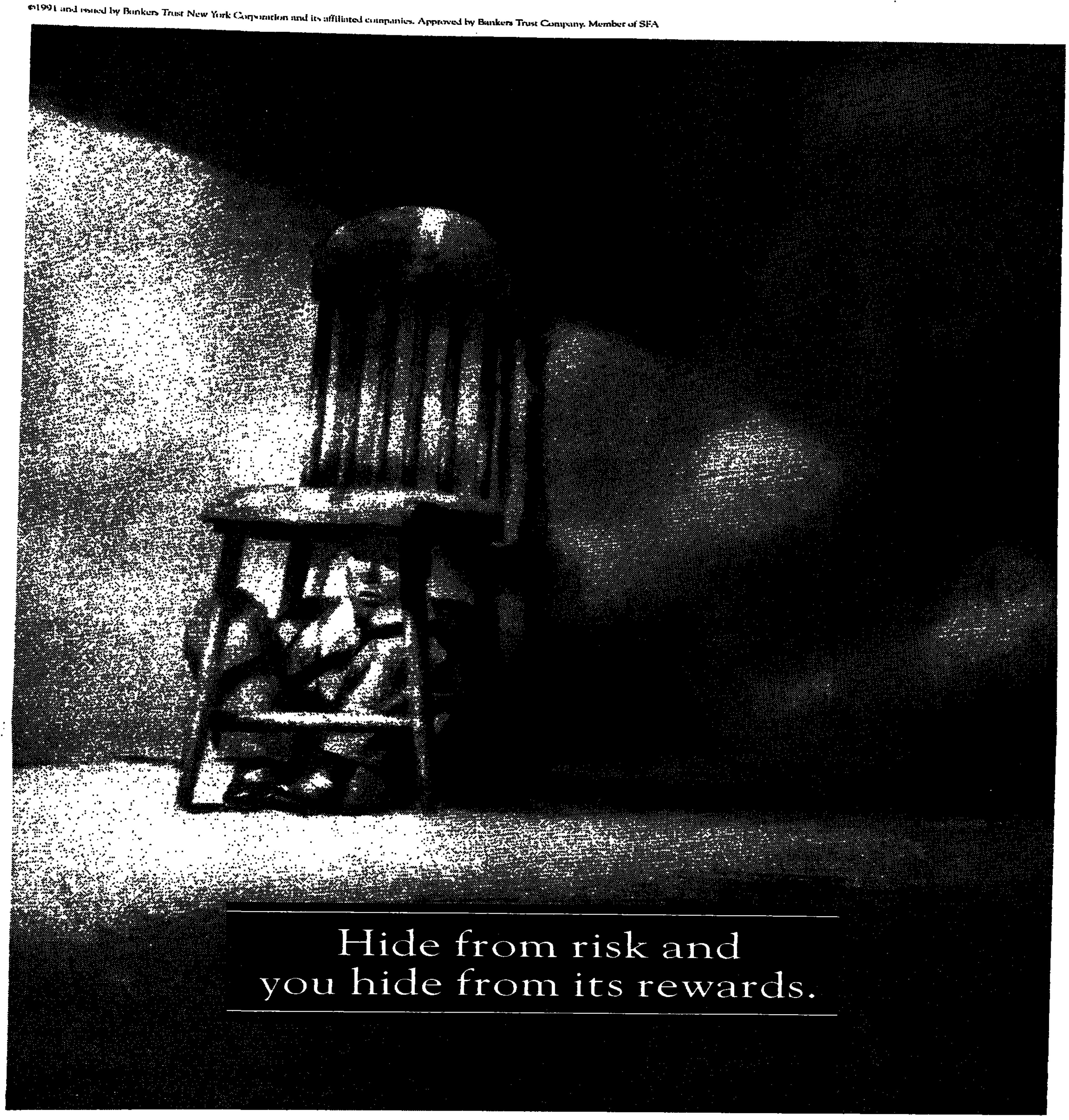
Aerospace's return on sales was up 3 percentage points, while electronics and automotive were up almost 2 percentage points.

# Cuno posts profit in quarter

CUNO, North America's sixth largest newsprint producer, was profitable in the second quarter with higher shipments, slightly better prices and lower interest costs, writes Robert Gibbens in Montreal.

Net profit was C$800,000 (US$625,000) for the three months, against a loss of $19m. Sales were $134m, up 26 per cent. The performance has led to a much reduced six-month loss of $3.5m, against one of $31.1m a year earlier. Half-year sales rose 23 per cent to $262m.

The company went public last year when the Chicago Tribune sold a majority interest. Its eastern Canada mills are leaders in the production of recycled-content newsprint.


Hide from risk and
you hide from its rewards.

## INTERNATIONAL CAPITAL MARKETS

# Investors shrug off Maastricht vote and gilt auction

By Peter John in London and Karen Zagor in New York

THE UK government bond market took the details of the forthcoming gilts auction and nervousness over tomorrow's Maastricht vote in its stride.

Short-dated maturities held steady with the declining hopes of a further cut in base rates countered by the impact of a firm pound. Middle-dated maturities shrugged off the impending supply pressure from next week's auction.

### GOVERNMENT BONDS

The Bank of England said it would auction £3.25bn of 7 per cent stock dated November 2001. The stock will be payable in three instalments and be free of tax to overseas residents.

The new issue was trading between 18.08 and 18.10 on a when-issued basis yesterday. The size of the auction came as no surprise, but the market had predicted a maturity of 2000.

There was some additional encouragement in a fall in M4, the broad measure of money. The figure came in at minus 0.2 per cent on the month against expectations of a rise of 0.5 per cent. The fall was, in fact, a reflection of high government borrowing, which has been draining cash from bank accounts.

At the ultra-long end, the continuing belief in enduring low inflation saw the 8¾ per cent stock dated 2017 rose ⅜ to 108$\frac{11}{32}$ with investors seizing on any weakness to buy in.

■ SWIRLING speculation on money supply figures and views on today's interest rate signals sent German government debt prices lower yesterday. German bund futures for September traded on Liffe fell 0.16 to 96.08.

Initially, a rumour swept through the market that the German M3 money supply figure, which is expected today, would come in at 7.2 per cent, far higher than the target range of 6.5 per cent. If that were the case, the inflationary pressures would push back hopes for a rate cut.

The market also focused on a long interview with Mr Lothar Müller, a Bundesbank council member, who poured cold water on ideas of future rate cuts. Mr Müller has already spoken out against the practice of relaxing monetary policy without evidence of easing in the recession.

Finally, the two-day reverse repo carried out on Monday at 7.15 per cent was seen as setting a floor for short-term rates. Dealers said although the Bundesbank could have carried out the same operation with T-Bills, that would have signalled a lower floor of 7 per cent. Economists expect a tight repo of around 7.18 per cent today. This will drain money from the system following the recent intervention to support the heavy selling of D-Marks for French francs.

■ ITALIAN government bonds were hit by a weak lira and a row brewing between the central bank and the government.

The currency is suffering because of the government's desire to cut interest rates further. Mr Carlo Ciampi's government is at odds with the central bank, which says it should not.

Further interest rate cuts will help the short end of the yield curve. However political uncertainty is never encouraging for the long end of the curve, and the 10-year futures contract for September traded on Liffe slipped 0.21 to 104.44.

■ US TREASURY prices dipped lower yesterday morning as the market digested comments by Mr Alan Greenspan, chairman of the Federal Reserve, and investors started to hedge against an expected $3bn paper issue by the Tennessee Valley Authority.

By midday, the benchmark 30-year government bond was $\frac{1}{16}$ lower at 107$\frac{1}{32}$, yielding 6.561 per cent. At the short end of the market, the two-year note was down $\frac{1}{32}$, to yield 4.023 per cent.

In testimony to Congress yesterday morning, Mr Greenspan reduced his forecast for GDP and said this year's inflation news was disappointing. He said further progress on inflation would not be easy. "Inflation expectations, at least by some measures, appear to have tilted upward this year possibly contributing to price pressures," he said.

There was little reaction to the June housing starts report, which was unchanged, while May housing starts were revised to show a rise of 4 per cent.

The Federal Reserve intervened in the open market to arrange $2.5bn of customer repurchase agreement when Fed Funds were trading at 3$\frac{1}{16}$ per cent.

**FT FIXED INTEREST INDICES**

| | July 20 | July 19 | July 16 | July 15 | July 14 | Year ago | High * | Low * |
|---|---|---|---|---|---|---|---|---|
| Govt Secs (UK) | 98.32 | 98.23 | 98.31 | 98.45 | 98.46 | 89.19 | 98.46 | 93.28 |
| Fixed Interest | 117.13 | 117.15 | 116.97 | 117.01 | 116.84 | 105.89 | 117.15 | 108.67 |

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 117.15 (19/7/93), low 50.53 (9/1/75)

**GILT EDGED ACTIVITY**

| Indices* | July 19 | July 16 | July 15 | July 14 | July 13 |
|---|---|---|---|---|---|
| Gilt Edged Bargains | 100.9 | 105.5 | 123.3 | 119.0 | 110.2 |
| 5-Day average | 111.8 | 112.1 | 110.4 | 104.2 | 101.9 |

* SE activity indices rebased 1974

**BENCHMARK GOVERNMENT BONDS**

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| AUSTRALIA | | 9.500 | 08/03 | 117.2355 | -0.004 | 7.08 | 7.11 | 7.60 |
| BELGIUM | | 9.000 | 03/03 | 113.6100 | +0.050 | 7.01 | 7.01 | 7.18 |
| CANADA * | | 7.500 | 12/03 | 102.8500 | -0.100 | 7.11 | 7.16 | 7.37 |
| DENMARK | | 8.000 | 05/03 | 106.2000 | +0.450 | 7.10 | 6.98 | 6.97 |
| FRANCE | BTAN | 8.000 | 05/98 | 107.3906 | -0.302 | 6.16 | 6.17 | 6.21 |
| | OAT | 8.500 | 04/03 | 112.3900 | -0.130 | 6.72 | 6.78 | 6.80 |
| GERMANY | | 6.750 | 04/03 | 101.5700 | -0.100 | 6.52 | 6.54 | 6.70 |
| ITALY | | 11.500 | 03/03 | 104.6000 | -0.125 | 11.00† | 11.00 | 11.60 |
| JAPAN | No 119 | 4.800 | 06/99 | 103.7584 | - | 4.01 | 3.99 | 4.24 |
| | No 145 | 5.500 | 03/02 | 107.9202 | +0.228 | 4.25 | 4.26 | 4.43 |
| NETHERLANDS | | 7.000 | 02/03 | 104.5900 | +0.030 | 6.33 | 6.42 | 6.51 |
| SPAIN | | 10.300 | 06/02 | 100.3257 | -0.057 | 10.23 | 10.23 | 10.33 |
| UK GILTS | | 7.250 | 03/98 | 102-03 | -1/32 | 6.71 | 6.73 | 7.00 |
| | | 8.000 | 06/03 | 103-29 | +6/32 | 7.42 | 7.50 | 7.76 |
| | | 9.000 | 10/08 | 110-10 | +7/32 | 7.82 | 7.93 | 8.13 |
| US TREASURY * | | 6.250 | 02/03 | 103-25 | -11/32 | 5.73 | 5.75 | 5.91 |
| | | 7.125 | 02/23 | 107-02 | -16/32 | 6.58 | 6.62 | 6.80 |
| ECU (French Govt) | | 8.000 | 04/03 | 105.1300 | -0.340 | 7.24 | 7.13 | 7.14 |

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

# Long-dated D-Mark offering attracts foreign interest

By Sara Webb

EUROPEAN currencies *provided the talking point of* the international bond market yesterday, as market participants focused on a substantial long-dated *D-Mark* issue from LKB Baden Württemberg Finance and an aggressively-priced Eurolira deal from GECC.

### INTERNATIONAL BONDS

Recent tensions within the European exchange rate mechanism and a shortage of 10-year D-Mark denominated Eurobonds provided the main impetus for the launch of LKB Baden Württemberg Finance's DM1bn deal, according to Deutsche Bank, book-runner for the issue. It said currency strains were likely to prompt more D-Mark issues.

The bonds were sold mainly to foreign investors who want to hold D-Mark assets in view *of the recent turbulence in the* foreign exchange markets.

The LKB Baden Württemberg bonds, which have a triple-A rating, were priced to yield 18 basis points over the 6¾ per cent bund due 2003, providing an annual yield of 6.705 per cent.

By late afternoon, the bonds were trading within fees at 99.36 bid, having kept the yield spread of 18 basis points over the bund.

The launch of yet another aggressively-priced Eurolira deal – a L200bn, 10-year issue from GECC – drew a stream of fairly caustic comments from rival Eurolira specialists.

Credito Italiano, book-runner to the deal, said there was still good retail demand in Switzerland and the Benelux countries for Eurolira bonds, given the relative stability of the currency and the prospect of falling interest rates.

The deal comes hard on the *heels of a tightly-priced issue* from the World Bank, which yielded 9.47 per cent at full fees. GECC's bonds have a coupon of 9.55 per cent and yielded 9.51 per cent at full fees.

Market participants complained that the yield pick-up of four basis points over the World Bank issue looked mean, while even Credito Italiano conceded that the deal was "on the aggressive side".

● **Abbey National**, the UK financial services group, announced yesterday it hoped to tap the nascent Dragon bond market, adding another corporate name to the steady list of borrowers in south-east Asia.

The bank, which has a Aa2/AA credit rating, is expected to raise between $200m and $300m in the three- to five-year maturity range.

Abbey National said it was keen to broaden its investor base in Asia using a Dragon bond, an international bond offering listed in Hong Kong or Singapore, and aimed at investors in the region.

● Standard & Poor's, the US rating agency, has improved its long-term outlook on the Peoples Republic of China to positive from stable.

The agency confirmed China's BBB foreign currency debt rating and its A-2 short term currency debt rating. However, the agency noted: "Recent political events neither ensure that reform will proceed without interruption nor clarify long-standing questions about China's potentially difficult leadership succession."

**NEW INTERNATIONAL BOND ISSUES**

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Perez Companc, Argentina | 200 | 8.375# | 99.859R | Jul.1998 | 0.875R | +340(5⅛%-98) | Citibank International |
| Continental Bank Corp.(a)‡ | 150 | (a) | 99.75R | Aug.1998 | 0.25R | - | Merrill Lynch Intl. |
| Sony Capital Corp. | 130 | 5.625 | 100.25 | Jul.1998 | 0.25R | +50 (5⅛%-98) | Mitsubishi Finance Intl. |
| **D-MARKS** | | | | | | | |
| LKB Baden Würt'berg Finance | 1bn | 6.625 | 99.425R | Aug.2003 | 0.325R | +18 (6¾%-03) | Deutsche Bank |
| **YEN** | | | | | | | |
| Itochu Corp.★ | 20bn | 4.5 | 100.25R | Nov.1997 | 0.25R | - | Merrill Lynch Intl. |
| **CANADIAN DOLLARS** | | | | | | | |
| Bacob Overseas, Cayman Is. | 75 | 7.25 | 99.65R | Sep.1999 | 0.375R | +70 (b) | Daiwa Europe |
| **ITALIAN LIRA** | | | | | | | |
| GECC | 200bn | 9.55 | 102.29 | Aug.2003 | 2 | - | Credito Italiano |
| **SWISS FRANCS** | | | | | | | |
| Nederlandse Gasunie | 125 | 4.25 | 102 | Aug.1998 | - | - | UBS |

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 3-month Libor + 0.5%. Callable at par on interest payment dates from Aug.1995. b) Spread is over interpolated yield curve.

# European futures links encounter local opposition

## Exchanges are slow to give up autonomy, writes **Laurie Morse**

The ambitions of Europe's thriving derivatives exchanges have spawned plans to forge links aimed at a broader investment base. However, in practice, exchanges are finding it more difficult than imagined to sacrifice total autonomy.

In the past decade, 18 derivatives exchanges have sprung up in Europe. They support 98 different futures and options contracts, excluding options on individual shares.

Many of the smaller exchanges have successful stock derivatives – index futures and equity options – even though their underlying stock markets are quite illiquid, and barely contemplating international expansion.

The best example of cross-border links is Fex, an alliance of European derivatives exchanges that plans electronic connections across borders between London, Stockholm, Zurich, Amsterdam and Vienna. Budding exchanges in Spain and Italy hope to join the group. Germany's Deutsche Terminbörse (DTB) and France's Matif are also discussing a link.

Amsterdam's electronic derivatives exchange, the European Options Exchange (EOE), and the London arm of its Swedish counterpart, OMLX, have already linked *systems in the first stage of the* Fex agreement, allowing joint access to their respective stock index products. To date, it is the only such alliance successfully consummated.

The pace of this co-operation may be checked by the realities of joint ventures, including protectionist concerns from the exchanges' less robust cash markets.

The board of Soffex, Switzerland's futures and options exchange, dealt a blow to the Fex agreement last week when it ordered work on cross-border links and foreign memberships to stop. Switzerland is struggling to construct a national electronic stock market (the EBS) to replace its three regional exchanges.

The three big Swiss banks which dominate Soffex's board are expected to govern the EBS when it emerges. Analysts say the banks may have stifled Soffex out of fear that international links would bleed away Switzerland's stock market to London. "The banks may see the need to build up a good Swiss stock market [before opening it up to foreigners]. By putting off the Soffex links, they may be buying time," says Mr Ruben Lee, managing director of the UK consulting firm, Oxford Finance Group.

The price of delaying co-operation, Mr Lee says, is increased competition. London already accounts for about one-fifth of Swiss stock trading, and Liffe, London's futures and options exchange, has been singularly successful at capturing foreign currency-denominated financial contracts.

The decision to constrain the derivatives market long enough for the cash market to catch up has serious implications for Soffex and its Fex partners.

Soffex's volume is posting records, but with the electronic link, the exchange "would have had a lot more market-makers, and a lot more liquidity, and we would have created business for our partner exchanges as well," said Mr Daniel Grossreider, Soffex vice-president.

Other planned links are proving difficult to consummate. By co-operating, exchanges lose some control over their own business. Liffe and the Chicago Board of Trade last month abandoned discussions to share government debt contracts.

The larger exchanges are turning toward joint marketing efforts in preference to links, viewing them as easier and more practical. The smaller derivatives exchanges, however, have more to gain from links, since they have fewer overlapping members.

## MARKET STATISTICS

**FT/ISMA INTERNATIONAL BOND SERVICE**

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on July 20

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield | OTHER STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ABN 9⅛ 94 | 200 | 104⅞ | 105¼ | -⅛ | 4.19 | Arbed 7½ 95 LFr | 800 | 100 | 101 | | 7.50 |
| AlbertaProvince 9⅛ 95 | 600 | 109⅞ | 110¼ | -⅛ | 4.66 | Genfinance Lux 9⅛ 99 LFr | 1000 | 107¼ | | -1⅛ | 7.51 |
| Austria 8½ 00 | 400 | 114⅝ | 115 | -¼ | 5.74 | World Bank 8 96 LFr | 1000 | 101 | 102 | -1 | 7.56 |
| [illegible] | | | | | | | | | | | |

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**RISES AND FALLS YESTERDAY**

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 41 | 18 | 20 |
| Other Fixed Interest | 8 | 0 | 7 |
| Commercial, Industrial | 188 | 350 | 873 |
| Financial & Property | 112 | 168 | 519 |
| Oil & Gas | 14 | 15 | 54 |
| Plantations | 1 | 0 | 7 |
| Mines | 16 | 47 | 74 |
| Others | 23 | 67 | 58 |
| Totals | 403 | 665 | 1,612 |

**LONDON RECENT ISSUES**

**EQUITIES**

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1993 High | 1993 Low | Stock | Closing Price p | + or - | Net Div. | Times Cov'd | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 125 | F.P. | - | 132 | 120 | AG Holdings | 128 | | R5.25 | 1.9 | 5.1 | 11.6 |
| 100 | F.P. | - | 107 | 87 | Asagen | 87 | | - | - | - | - |
| 339 | F.P. | - | 356 | 356 | Baring Chrysalis C | 356 | | - | - | - | - |
| $10 | F.P. | - | 879 | 879 | Baring Emrg Mkts | 879 | | - | - | - | - |
| †150 | P.P. | - | 172 | 150 | British Telecom (P/Paid) | 168½ | +½ | N15.6 | 1.4 | 4.6 | 20.2 |
| 120 | F.P. | - | 148 | 131 | Business Post | 148 | +5 | L2.9 | 2.5 | 2.4 | 39.7 |
| 148 | F.P. | - | 171 | 148 | Carpetright | 153 | -2 | W3.69 | 1.7 | 3.0 | 24.0 |
| 100 | F.P. | - | 117 | 101 | Celsis Intl | 101 | | - | - | - | - |
| 225 | F.P. | - | 210 | 184 | Court Cavendish | 197 | +12 | W3.6 | 2.8 | 2.3 | 13.3 |
| 150 | F.P. | - | 234 | 200 | Crabtree | 227 | -5 | - | - | - | - |
| - | F.P. | - | 18½ | 7 | Creston Warrants | 7½ | | - | - | - | - |
| 170 | F.P. | - | 200 | 191 | Dewe Intl | 192 | | W5.5 | 1.9 | 3.6 | 18.3 |
| - | F.P. | - | 100 | 97 | Englef Inv Trust | 97 | | - | - | - | - |
| - | F.P. | - | 37 | 33 | Do Warrants | 34 | | - | - | - | - |
| 110 | F.P. | - | 120 | 113 | Environed | 117 | | - | - | - | 50.3 |
| - | F.P. | - | 17½ | 11 | Eurotunnel Wts 1993 | 17 | +½ | - | - | - | - |
| 250 | F.P. | - | 288 | 278 | Field Group | 288 | +1 | NW6.4 | 2.0 | 2.8 | 22.8 |
| 210 | F.P. | - | 261 | 233 | Fine Decor | 261 | | u7.5 | 1.7 | 3.6 | 20.0 |
| - | F.P. | - | 149 | 149 | Finsbury Smllr. Co's. C | 149 | | - | - | - | - |
| - | F.P. | - | 100 | 94 | Govett Emrg Mkts | 98 | -1 | - | - | - | - |
| - | F.P. | - | 52 | 44 | Do Warrants | 47 | -2 | - | - | - | - |
| 100 | F.P. | - | 101 | 97½ | Ivory & Sime ISIS | 98½ | | - | - | - | - |
| 100 | F.P. | - | 102 | 100 | Johnson Fry Utilities | 102 | | M7.2 | - | 8.8 | - |
| - | F.P. | - | 285 | 250 | Kerry Grp A | 265 | | Q30.1% | 7.9 | 1.2 | 14.5 |
| 108 | F.P. | - | 137 | 126 | Metrotect Inds | 127 | | W3.24 | 2.2 | 3.2 | 17.6 |
| 100 | P.P. | - | 141 | 100 | Northern Ireland Elect | 139 | +2½ | W10.02 | 2.3 | 4.6 | 8.7 |
| 100 | F.P. | - | 98 | 93½ | Perpetual Japan Inv | 96 | -2 | - | - | - | - |
| - | F.P. | - | 47 | 37 | Do Warrants | 46 | -1 | - | - | - | - |
| 130 | F.P. | - | 146 | 140 | Policy Portfolio | 145 | | u6.0 | 1.6 | 5.2 | 14.7 |
| 123 | F.P. | - | 130 | 127 | Quadramatic | 128 | | NW4.5 | 2.2 | 4.4 | 13.2 |
| - | F.P. | - | 105½ | 103 | Riv & Merc Ext Zero Pf | 105½ | | - | - | - | - |
| - | F.P. | - | 102 | 101 | Second HBSC | 101 | | - | - | - | - |
| - | F.P. | - | 805 | 785 | Sphere Inv Units | 805 | +5 | - | - | - | - |
| - | F.P. | - | 53 | 25 | Suter Warrants | 49 | | - | - | - | - |

[illegible]

**RIGHTS OFFERS**

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1993 High | 1993 Low | Stock | Closing Price p | + or - |
|---|---|---|---|---|---|---|---|
| 123 | Nil | 27/8 | 38pm | 33pm | ACT | 37pm | |
| 60 | Nil | 6/8 | 3pm | 2pm | Alexon | 2½pm | -½ |
| 75 | Nil | 13/8 | 12pm | 7pm | Asda Property | 12pm | |
| 140 | Nil | 25/8 | 94pm | 82pm | Bank of Ireland | 92pm | -2 |
| 152 | Nil | 23/8 | 18pm | 8pm | Corewick | 8pm | |
| 350 | Nil | 27/8 | 82pm | 52pm | English China Clays | 55pm | -6 |
| 345 | Nil | 1/9 | 52pm | 33pm | Frogmore | 52pm | +2 |
| 60 | Nil | 20/7 | 6pm | 3½pm | GBE | 4pm | |
| 160 | Nil | 13/8 | 39pm | 14pm | Gt Portland Ests | 38pm | +4 |
| 133 | Nil | 11/8 | 24pm | 10pm | Hardy Oil | 10½pm | |
| 30 | Nil | 18/8 | 9pm | 4pm | Moran Hldgs | 8pm | -1 |
| 5 | Nil | 9/8 | 1½pm | 1pm | Premier Land | 1pm | |
| 210 | Nil | 1/9 | 53pm | 53pm | Smith New Court | 53pm | |
| 8½ | Nil | 13/8 | 5pm | 1pm | Sutcliffe Speakman | 4¼pm | -¼ |
| 148 | Nil | 13/8 | 20pm | 8½pm | Wimpey (G) | 17pm | |

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

**TRADITIONAL OPTIONS**

● First Dealings July 12
● Last Dealings July 23
● Last Declarations Oct. 14
● For settlement Oct. 25

*3-month call rate indications are shown in Saturday editions.*

Calls: Avesco, Carlisle, Cray Elect., Dixons, Emess Light., Heritage, Fife Indmar, LIT Pref., Maddox, Medeva, P & P, Regalian and Tiphook. Puts: Carlisle, Tiphook and UK Land.

## FT-SE ACTUARIES INDICES

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**LIFFE EQUITY OPTIONS**

| Option | | Calls Jul | Calls Oct | Calls Jan | Puts Jul | Puts Oct | Puts Jan |
|---|---|---|---|---|---|---|---|
| Allied-Lyons (*549) | 500 | 50½ | 63½ | 71½ | 1 | 6 | 13½ |
| | 550 | 7 | 29½ | 39½ | 8½ | 23½ | 33 |
| Argyll (*302) | 300 | 7 | 21 | 25½ | 3½ | 12 | 18½ |
| | 330 | 1 | 8 | 13½ | 27 | 31 | 36 |
| ASDA (*63) | 57 | 8½ | 9 | - | 1 | 3½ | - |
| | 67 | 1 | 4½ | - | 5½ | 9 | - |
| Brit Airways (*310) | 287 | 24 | 36½ | 41½ | 1 | 8½ | 14 |
| | 316 | 3½ | 18 | 25 | 11 | 20½ | 27½ |
| Smith Bchm A (*418) | 390 | 30½ | 43½ | 53½ | 1½ | 12 | 18 |
| | 420 | 8 | 26 | 38 | 8½ | 25 | 32 |
| Boots (*429) | 420 | 13 | 31 | 38½ | 3 | 16 | 23½ |
| | 460 | 1 | 12½ | 20½ | 33 | 38½ | 46½ |
| BP (*285) | 280 | 8½ | 18 | 24 | 2½ | 13 | 18 |
| | 300 | 1½ | 9 | 15 | 16 | 23 | 28 |
| British Steel (*102) | 100 | 4½ | 11 | 15½ | 2½ | 7 | 9½ |
| | 110 | 1 | 6½ | 11½ | 9 | 13 | 15½ |
| Bass (*472) | 460 | 15½ | 34½ | 42½ | 3 | 15 | 28½ |
| | 500 | 1 | 15½ | 23 | 30 | 37½ | 52 |
| Cable & Wire (*759) | 750 | 18 | 44 | 58½ | 8 | 24 | 35 |
| | 800 | 1½ | 22 | 35 | 44 | 54½ | 63½ |
| Courtaulds (*512) | 500 | 16 | 36 | 46 | 3½ | 16 | 25 |
| | 550 | 1 | 13½ | 23 | 40 | 46 | 52½ |
| Comm Union (*620) | 580 | 43½ | 51½ | - | 1 | 12½ | - |
| | 629 | 6 | 22½ | - | 13½ | 35 | - |
| GKN (*461) | 460 | 8 | 22½ | - | 7 | 24 | - |
| | 500 | 1 | 7½ | - | 42 | 53½ | - |
| ICI (*640) | 633 | 14 | 32 | 49 | 6 | 28½ | 37 |
| | 657 | 4 | 21 | 37½ | 21 | 45 | 51 |
| Kingfisher (*586) | 584 | 7½ | 30 | - | 5½ | 23½ | - |
| | 632 | 1 | 11 | - | 48 | 54½ | - |
| Land Secur (*606) | 600 | 11½ | 32 | 42 | 4½ | 16½ | 25½ |
| | 650 | 1 | 10½ | 20½ | 46½ | 49 | 55 |
| Marks & S (*330) | 330 | 6 | 16½ | 25½ | 5 | 14 | 19 |
| | 360 | 1 | 7½ | 13 | 30½ | 33 | 36½ |
| NatWest (*491) | 460 | 33½ | 42 | 53 | 1 | 11 | 16 |
| | 500 | 4 | 18½ | 30 | 14 | 30 | 35 |
| Sainsbury (*450) | 420 | 32 | 46 | 54 | 1 | 8 | 14½ |
| | 460 | 3½ | 21½ | 30½ | 13½ | 25½ | 32 |
| Shell Trans. | 600 | 11 | 26 | 37 | 4½ | 21 | 28½ |
| [illegible] | | | | | | | |
| (*197) | 200 | 2 | 8½ | 15 | 9 | 14½ | 19 |
| Trafalgar (*100) | 90 | 13½ | 17 | 18½ | 1 | 3½ | 6½ |
| | 100 | 4½ | 11 | 13 | 2½ | 7 | 11½ |
| Unilever (*948) | 900 | 52 | 77½ | 90½ | 1½ | 13½ | 23½ |
| | 950 | 10½ | 44 | 59½ | 12½ | 32½ | 44½ |
| Zeneca (*604) | 600 | 9½ | 30 | 43 | 5½ | 29 | 38½ |
| | 650 | 1 | 11 | 22 | 48½ | 64 | 69 |
| Option | | Jul | Oct | Feb | Jul | Oct | Feb |
| Grand Met (*398) | 390 | 12 | 28½ | 38½ | 3½ | 15 | 26½ |
| | 420 | 1½ | 15 | 25½ | 24 | 32 | 43½ |
| Ladbroke (*190) | 180 | 4 | 13½ | 18 | 4½ | 14½ | 18½ |
| | 200 | 1 | 5½ | 10½ | 22 | 28½ | 31½ |
| Utd Biscuits (*380) | 360 | 7 | 25 | 35 | 7 | 19½ | 30 |
| | 390 | 1 | 12½ | 23 | 32 | 38 | 48½ |
| Option | | Jul | Oct | Dec | Jul | Oct | Dec |
| Fisons (*163) | 160 | 6½ | 16½ | 18½ | 3 | 11 | 15½ |
| | 180 | 1 | 8 | 11 | 18½ | 23½ | 28 |

| Option | | Calls Aug | Calls Nov | Calls Feb | Puts Aug | Puts Nov | Puts Feb |
|---|---|---|---|---|---|---|---|
| Brit Aero (*398) | 390 | 21½ | 44½ | 58 | 14½ | 35 | 43½ |
| | 420 | 8½ | 31½ | 44 | 32½ | 52 | 60 |
| BAT Inds (*428) | 425 | 11 | 25 | 35 | 14½ | 25 | 29½ |
| | 450 | 2½ | 14½ | 24½ | 34 | 42 | 46 |
| BTR (*365) | 360 | 12 | 21½ | 28 | 5 | 15½ | 17½ |
| | 390 | 1½ | 8½ | 14½ | 26½ | 34 | 35½ |
| Brit Telecom (*413) | 390 | 27½ | 31½ | 35 | 2½ | 12½ | 18 |
| | 420 | 5½ | 15 | 20 | 13 | 28 | 34 |
| Cadbury Sch (*433) | 420 | 20½ | 32½ | 43 | 4½ | 15½ | 20½ |
| | 460 | 2½ | 13½ | 23½ | 29 | 37½ | 42½ |
| Eastern Elec (*484) | 460 | 29 | 43½ | 50½ | 2½ | 10½ | 16 |
| | 500 | 5½ | 20½ | 28½ | 20 | 28½ | 35 |
| Guinness (*453) | 420 | 38 | 61 | 61½ | 2 | 9½ | 16½ |
| | 460 | 9½ | 26½ | 37½ | 14½ | 27 | 34 |
| GEC (*323) | 300 | 27 | 35 | 33½ | 1½ | 5 | 8½ |
| | 330 | 5 | 15½ | 20½ | 10 | 18 | 20 |
| Hanson (*235) | 220 | 17½ | 22 | 25 | 1½ | 6 | 10 |
| | 240 | 4 | 11 | 14½ | 8½ | 15½ | 19½ |
| Lasmo (*134) | 130 | 9 | 15½ | 20½ | 4 | 10 | 14 |
| | 140 | 4 | 10½ | 15½ | 9½ | 16½ | 19 |
| Lucas Inds (*146) | 140 | 8½ | 17½ | 21½ | 3½ | 11 | 14 |
| | 160 | 2½ | 8½ | 13 | 16 | 23½ | 26 |
| P & O (*628) | 600 | 36½ | 52½ | 62 | 4½ | 28½ | 31½ |
| | 650 | 7 | 25½ | 37 | 28 | 54½ | 59½ |
| Pilkington (*132) | 130 | 6½ | 14 | 15½ | 4 | 9 | 13½ |
| | 140 | 3 | 8 | 11 | 10½ | 15 | 19½ |
| Prudential (*345) | 330 | 20½ | 28½ | 34½ | 2½ | 11 | 14 |
| | 360 | 3½ | 12½ | 19½ | 17½ | 27 | 30 |
| RTZ (*661) | 650 | 37 | 62½ | 78½ | 3½ | 15½ | 22 |
| | 700 | 8 | 33 | 49 | 24½ | 37 | 44½ |
| Redland (*480) | 460 | 28 | 42 | 50 | 4½ | 21½ | 27 |
| | 500 | 6 | 21½ | 31 | 26 | 43 | 48½ |
| Royal Insce (*314) | 288 | 29½ | 38½ | 43½ | 1½ | 6½ | 9½ |
| | 317 | 7½ | 18½ | 26½ | 9½ | 18½ | 22 |
| Scot & New (*438) | 420 | 24 | 30½ | - | 2½ | 11½ | - |
| | 460 | 3 | 18 | - | 24 | 30½ | - |
| Tesco (*204) | 200 | 9½ | 18 | 24 | 5 | 12 | 16 |
| | 220 | 2½ | 9½ | 15 | 18½ | 25 | 26 |
| Vodafone (*443) | 420 | 29 | 36½ | 54 | 3½ | 14½ | 21 |
| | 460 | 6 | 24½ | 33 | 23 | 33½ | 41 |
| Williams (*313) | 300 | 18½ | 26 | 33 | 9½ | 19½ | 17 |
| [illegible] | | | | | | | |
| BAA (*729) | 700 | 37 | 59½ | 64½ | 4 | 18 | 33 |
| | 750 | 7½ | 31½ | 36 | 27 | 38½ | 46½ |
| Thames Wtr (*475) | 460 | 21 | 35 | 38 | 3½ | 15½ | 18½ |
| | 500 | 2½ | 14½ | 18 | 27½ | 37½ | 41 |
| Option | | Sep | Dec | Mar | Sep | Dec | Mar |
| Abbey Natl (*402) | 390 | 21 | 33 | 40½ | 10½ | 17 | 24½ |
| | 420 | 6½ | 18½ | 25 | 28½ | 34 | 41 |
| Amstrad (*31) | 30 | 4 | 5½ | 6½ | 2 | 3 | 4 |
| | 35 | 1½ | 3 | 4 | 5 | 6 | 6½ |
| Barclays (*477) | 460 | 28 | 40½ | 49 | 10½ | 17½ | 25½ |
| | 500 | 8½ | 21 | 29 | 34 | 39½ | 47 |
| Blue Circle (*244) | 240 | 16 | 23 | 28½ | 9 | 17½ | 21 |
| | 260 | 7 | 14 | 19½ | 21½ | 29½ | 32½ |
| British Gas (*291) | 280 | 18½ | 23 | 27½ | 5 | 11½ | 15½ |
| | 300 | 8 | 12 | 18 | 14 | 22½ | 29 |
| Dixons (*199) | 180 | 25 | 33 | 38½ | 3½ | 8 | 11½ |
| | 200 | 12½ | 21 | 25½ | 11½ | 16½ | 20½ |

| Option | | Calls Sep | Calls Dec | Calls Mar | Puts Sep | Puts Dec | Puts Mar |
|---|---|---|---|---|---|---|---|
| Eurotunnel (*400) | 390 | 36 | 55½ | - | 18½ | 32½ | - |
| | 420 | 21½ | 41 | - | 34½ | 48 | - |
| Glaxo (*529) | 500 | 46½ | 57 | - | 11 | 28 | - |
| | 550 | 20½ | 38 | - | 35½ | 58½ | - |
| Hillsdown (*138) | 130 | 15 | 19 | 22½ | 4½ | 9½ | 11½ |
| | 140 | 8½ | 14 | 17 | 9 | 15 | 16½ |
| Lonrho (*129) | 120 | 13 | 18½ | 22½ | 5½ | 9 | 13 |
| | 130 | 7½ | 14 | 17½ | 10½ | 14½ | 18 |
| HSBC 75p shs (*629) | 600 | 48 | 65½ | - | 16½ | 28 | - |
| | 650 | 19½ | 39½ | - | 42 | 54½ | - |
| Natl Power (*357) | 330 | 34 | 43½ | 47½ | 3 | 8 | 12½ |
| | 360 | 14½ | 25 | 29½ | 13½ | 20 | 24 |
| Reuters (*1390) | 1350 | 72 | 113 | - | 31½ | 60 | - |
| | 1400 | 43½ | 86 | - | 55½ | 86 | - |
| Rolls-Royce (*139) | 130 | 15½ | 19 | - | 4½ | 9 | - |
| | 140 | 9 | 14 | - | 8½ | 14½ | - |
| Scot Power (*321) | 310 | 16 | 21½ | - | 8 | 12½ | - |
| | 330 | 5 | 12 | 16 | 21 | 24½ | 28 |
| Sears (*95) | 90 | 8½ | 11 | 13 | 2 | 4 | 5 |
| | 100 | 3 | 5½ | 7½ | 7 | 10 | 10½ |
| Forte (*223) | 220 | 14½ | 21½ | 28 | 9½ | 17 | 21 |
| | 240 | 6 | 13 | 18 | 21 | 29½ | 32½ |
| Tarmac (*127) | 120 | 13½ | 17 | 20½ | 5 | 11 | 13 |
| | 130 | 7½ | 12 | 15½ | 9½ | 16 | 18 |
| Thorn EMI (*932) | 900 | 41 | 59½ | 68½ | 23 | 34½ | 45½ |
| | 950 | 12½ | 35 | 45½ | 54½ | 63 | 72 |
| TSB (*198) | 180 | 22 | 26½ | 29½ | 3½ | 8½ | 11 |
| | 200 | 8½ | 15 | 18½ | 12 | 15½ | 20½ |
| Tomkins (*220) | 220 | 8 | 16 | 21 | 12½ | 17 | 20½ |
| | 240 | 2½ | 9 | 13 | 28 | 30½ | 32 |
| Vaal Reefs (*$73) | 70 | 12 | 17 | - | 8 | 13 | - |
| | 80 | 7 | 12 | - | 14½ | 19 | - |
| Wellcome (*620) | 600 | 43½ | 61½ | 73½ | 18½ | 37½ | 46½ |
| | 650 | 19 | 37 | 50½ | 47 | 65½ | 73½ |

**EURO FT-SE INDEX (*2922)**

| | 2875 | 2725 | 2775 | 2825 | 2875 | 2925 | 2975 | 3025 |
|---|---|---|---|---|---|---|---|---|
| **CALLS** | | | | | | | | |
| Aug | 152 | 108 | 71 | 40 | 20 | 8 | 3½ | 1½ |
| Sep | 165 | 124 | 89 | 59 | 38 | 21 | 12 | 5 |
| Oct | 182 | 144 | 110 | 80 | 57 | 39 | 26 | 15 |
| Dec | - | 178 | - | 117 | - | 71 | - | 38 |
| Mar † | - | 214 | - | 156 | - | 108 | - | 71 |
| **PUTS** | | | | | | | | |
| Aug | 8 | 14 | 27 | 44 | 75 | 115 | 160 | 208 |
| Sep | 16 | 28 | 40 | 60 | 88 | 121 | 161 | 205 |
| Oct | 26 | 40 | 55 | 75 | 101 | 132 | 169 | 208 |
| [illegible] | | | | | | | | |

**FT-SE INDEX (*2860)**

| | 2650 | 2700 | 2750 | 2800 | 2850 | 2900 | 2950 | 3000 |
|---|---|---|---|---|---|---|---|---|
| **CALLS** | | | | | | | | |
| Aug | 177 | 130 | 88 | 54 | 28 | 13 | 5 | 2½ |
| Sep | 188 | 144 | 108 | 74 | 49 | 29 | 17 | 9 |
| Oct | 202 | 161 | 124 | 94 | 67 | 45 | 31 | 20 |
| Nov | 217 | 178 | 143 | 113 | 87 | 65 | 48 | 32 |
| Dec † | - | 180 | - | 126 | - | 79 | - | 46 |
| Jun † | - | 262 | - | 201 | - | 154 | - | 112 |
| **PUTS** | | | | | | | | |
| Aug | 6 | 10 | 18 | 33 | 60 | 95 | 137 | 187 |
| Sep | 12 | 19 | 30 | 49 | 75 | 107 | 145 | 188 |
| Oct | 23 | 34 | 46 | 65 | 89 | 118 | 154 | 194 |
| Nov | 34 | 48 | 61 | 80 | 104 | 132 | 166 | 202 |
| Dec † | - | 54 | - | 89 | - | 141 | - | 210 |
| Jun † | - | 102 | - | 140 | - | 180 | - | 249 |

July 20 Total Contracts 20,609
Calls 9,708 Puts 10,901
FT-SE Index Calls 3,544 Puts 4,844
Euro FT-SE Calls 1,058 Puts 739
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

**FT-ACTUARIES FIXED INTEREST INDICES**

**PRICE INDICES**

| | | Tue Jul 20 | Day's change % | Mon Jul 19 | Accrued interest | xd adj. 1993 to date |
|---|---|---|---|---|---|---|
| | **British Government** | | | | | |
| 1 | Up to 5 years (25) | 127.94 | -0.01 | 127.95 | 1.55 | 8.83 |
| 2 | 5-15 years (23) | 151.32 | +0.10 | 151.99 | 2.37 | 7.07 |
| 3 | Over 15 years (9) | 164.85 | +0.22 | 164.40 | 1.09 | 7.16 |
| 4 | Irredeemables (6) | 188.72 | +0.43 | 187.91 | 2.00 | 7.35 |
| 5 | All stocks (63) | 146.88 | +0.09 | 146.94 | 1.87 | 7.03 |
| | **Index-Linked** | | | | | |
| 6 | Up to 5 years (2) | 188.30 | +0.02 | 188.26 | 1.44 | 1.92 |
| 7 | Over 5 years (11) | 176.51 | +0.11 | 176.32 | 0.41 | 3.20 |
| 8 | All stocks (13) | 176.71 | +0.10 | 176.54 | 0.52 | 3.05 |
| 9 | Debs & Loans (65) | 135.39 | +0.40 | 134.86 | 2.84 | 5.75 |

**AVERAGE GROSS REDEMPTION YIELDS**

| | | | Tue Jul 20 | Mon Jul 19 | Year ago (approx.) |
|---|---|---|---|---|---|
| | **British Government** | | | | |
| 1 | Low | 5 years | 6.78 | 6.78 | 8.38 |
| 2 | Coupons | 15 years | 7.73 | 7.76 | 8.75 |
| 3 | (0%-7¾%) | 20 years | 7.88 | 7.90 | 8.75 |
| 4 | Medium | 5 years | 6.96 | 6.95 | 9.24 |
| 5 | Coupons | 15 years | 7.83 | 7.85 | 8.97 |
| 6 | (8%-10¾%) | 20 years | 7.92 | 7.94 | 8.92 |
| 7 | High | 5 years | 7.16 | 7.14 | 9.46 |
| 8 | Coupons | 15 years | 8.09 | 8.10 | 9.13 |
| 9 | (11%- ) | 20 years | 8.11 | 8.13 | 9.05 |
| 10 | Irredeemables (Flat Yield) | | 8.03 | 8.06 | 9.03 |
| | **Index-Linked** | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | 2.81 | 2.81 | 4.18 |
| 12 | Inflation rate 5% | Over 5 yrs. | 3.44 | 3.46 | 4.45 |
| 13 | Inflation rate 10% | Up to 5 yrs. | 2.00 | 1.99 | 3.38 |
| 14 | Inflation rate 10% | Over 5 yrs. | 3.29 | 3.28 | 4.26 |
| 15 | Debs & | 5 years | 8.43 | 8.47 | 10.53 |
| 16 | Loans | 15 years | 8.79 | 8.83 | 10.32 |
| 17 | | 25 years | 8.96 | 8.99 | 10.19 |

# SB's future clouded by expiry of US patent

By Paul Abrahams

SMITHKLINE Beecham's ability to overcome the inevitable damage which will be inflicted next May by the expiry of the US patents of Tagamet, its best-selling product, will be crucial to the group's future.

Tagamet, an anti-ulcer treatment that was once the world's best-selling drug, still generated sales of $1.1bn (£730m) last year. Of these about $650m were in the US. The division's turnover last year was £2.8bn.

"This is bad news. Anyone who thinks the patent expiry won't have a substantial impact on SB is going to be disappointed. The drug still has substantial sales and is very profitable," says Mr Jan Leschley, head of SB's pharmaceuticals arm, and the group's chief executive designate.

SB's strategy is to launch an over-the-counter version of Tagamet and to generate growth through new products.

A slight hiccup in the first element of the strategy is that before the merger of SmithKline of the US with the UK group, Beecham, the American company sold the OTC distribution rights for Tagamet in the UK to Wellcome.

Mr Leschley refuses to discuss the issue, which he describes as delicate. Meanwhile the company has lodged its dossier to the US Food and Drug Administration for the medicine to make the switch to OTC status.

As for generating growth through new products, Mr Leschley stressed the success of Paxil, its new anti-depressant, Relafen, an arthritis drug, Kytril, an anti-nausea product, and Havrix, a hepatitis A vaccine. These generated £96m in new sales during the second quarter, compared with £212m for the whole of last year.

The US launch of Paxil has outpaced that of the market leader among the advanced selective serotonin re-uptake inhibitors, Eli Lilly's Prozac. SB's drug has captured 15.6 per cent of new prescriptions during the second quarter, compared with 6 per cent in February when it was launched. The medicine has 24 per cent of the whole UK anti-depressant market and 20 per cent of the Dutch market.

Relafen's performance in the US was described by Mr Leschley as "tremendous". Kytril was doing well, and the roll-out of Havrix was extremely successful, he said.

However, SB's strategy for continued growth may be held up by the worsening environment for drugs companies. European drugs sales during the second quarter were up only 1 per cent. Turnover in Germany and Italy, where healthcare reforms have been introduced, fell 9 per cent and 15 per cent respectively. In France and the UK sales were up 10 per cent and 8 per cent.

Mr Leschley said: "I'm not optimistic about Germany and Italy for the full year. And there's no doubt that in France, the UK and Spain we will see cost-containment measures introduced in the near future."

SB's response will not be like that of Merck, the world's largest drugs group, which yesterday announced further redundancies, said Mr Leschley.

"We have no plans whatsoever to make across-the-board lay-offs. That is not to say there will not be redundancies in selective pockets. We've just laid off 100 sales representatives in Germany," he said.

# Poor second half leaves Reliance Security down 68%

RELIANCE Security Group suffered badly in the second half and over the year to April 30 experienced a 68 per cent plunge in pre-tax profits.

The shares dropped 13p to 117p.

The dividend, however, is maintained at 4.5p, the final being 3.4p to which directors waived half their entitlement. Earnings per share came to 3.5p (10.2p).

Turnover rose to £68m (£63.4m) and pre-tax profit worked through at £1.11m (£3.42m), struck after further losses of £1.2m (£900,000) in developing the electronic surveillance business towards the critical mass in sales needed to generate profits.

Also, for this year, there was an exceptional debit of £352,000 relating to reorganisation of central support services and operations administration.

Mr Brian Kingham, chairman, said that despite recession the group had continued with a number of investment programmes which had been costly but would more than compensate in the strength gained from market position.

For the current year he forecast a recovery in earnings, even without a significant change in market conditions.

# Marine Midland shows 82% advance

By Paul Taylor

MARINE Midland Bank, the US subsidiary of Hongkong and Shanghai Bank, yesterday reported an 82 per cent increase, from $43.6m to $79.3m (£52.8m), in net profits for the first half of 1993.

The New York-based regional bank, which has $17bn in assets, said that second quarter net profits grew by a more modest 10 per cent to $45.3m ($41m).

Net interest income in the second quarter was $186.6m ($178.9m) with the increase partly due to the improved quality of Marine's loan portfolio.

However, the bank incurred a $56.1m loss in non-interest income reflecting an extraordinary $127.7m net write-down of mortgage servicing rights to reflect high refinancing levels.

This loss was more than offset by the release of $115m in provisions for loan losses. The release of the provisions, and the resulting drop in the allowance for loan losses to $391.2m, reflected the continuing decline in non accruing loans and net commercial charge offs.

The allowance represented 79.2 per cent of non-accruing loans at the end of the first half, compared to 65.6 per cent a year earlier.

The bank ended the first half with an increased Tier 1 risk-weighted capital ratio of 9.61 per cent, compared to 8.67 per cent a year earlier.

## Matthew Clark

Matthew Clark had a 94.2 per cent take-up for its rights issue. Of the 4.36m new ordinary shares provisionally allotted at 320p, 4.11m have been taken up.

# Not yet first choice for fashion

**Neil Buckley examines the image problems facing House of Fraser**

SHOPPERS VISITING stores such as Rackhams, Army and Navy and Dickins & Jones may never realise they are shopping in a House of Fraser shop – unless they happen to notice the group logo on the carrier bag.

After House of Fraser's eight years as a private company owned by the Fayed brothers, the investment community may be similarly unaware of the full extent of its retail empire. Overcoming the City's scepticism and ignorance is one of the biggest tasks the group faces before its flotation next year.

Although the department stores have effectively been run as a separate business, in spite of the presence of Mr Ali Fayed as chairman, they have often been swallowed up in the publicity surrounding the Fayeds and the flagship Harrods store.

There is a credibility problem says Mr Brian McGowan (centre), flanked by Mr Tiny Rowland (left), joint chief executive of Lonrho, and Mr Mohamed Fayed, one of the Fayed brothers.

No 1980s takeover battle was more ruthlessly fought than that for House of Fraser, pitting the Fayed bothers, Mohamed and Ali, against Mr Tiny Rowland and his Lonrho trading conglomerate.

"One cannot deny that there is in some quarters a credibility problem," admits Mr Brian McGowan, the man brought in to replace Mr Fayed as non-executive chairman and to prepare the chain for flotation. Mr McGowan, 48, was sufficiently convinced of House of Fraser's strengths to postpone his retirement.

One strength, he believes, is its assets base. House of Fraser has 59 stores with total floorspace of almost 5m sq ft. About 90 per cent of the property is freehold – with a value of about £250m.

The chain stretches from Inverness to Plymouth, trading under names such as Rackhams, Dingles, Army and Navy, Dickins & Jones, Binns and Frasers.

Mr McGowan believes another strength of the business is that many of the stores are popular and well established retailers with customer loyalty built up over 100 years or more.

Moreover, he says, rumours that the company has been starved of cash since it was bought by the Fayeds in 1985 are untrue. Capital investment has been about £100m over the last five years, and the shape of the chain has changed significantly.

In 1985, it had 93 stores. Many smaller, underperforming stores have been closed, while new stores have opened in the Lakeside retail park at Thurrock, at Meadowhall near Sheffield, Leicester and Milton Keynes.

The store closure programme means turnover has been relatively static. For the year to January, sales were £695m, little different from the figures for 1990 or 1988.

But operating profits increased from £21.6m to £36.8m. The company said yesterday that sales up to the end of June were running 7 per cent ahead of last year.

Mr Andrew Jennings, House of Fraser's managing director since 1992, says the rationalisation programme is largely complete.

While isolated closures may still occur, the company is now left with a core store base, which it can gradually expand, largely through out of town developments.

The way forward, he says, is to continue the programme begun last year of cutting costs and repositioning the business as the first-choice destination for fashion clothing and accessories as well as "fashionable" furniture and housewares.

The number of full-time equivalent staff fell from 10,500 people to 8,300 by January 1993, and the ratio of full-time to part-time staff changed from about 60:40 to about 40:60, resulting in a £6m saving on wage costs. Layers of management have been removed, and new systems are allowing further productivity improvements.

Mr Jennings is continuing to look at the product mix, reducing and focusing the range and the number of suppliers.

"I don't see the future being in good old traditional department stores. We trade on the basis of being speciality retailers. We are a fashion business – both fashion in the home, and fashion apparel," he said.

Some analysts yesterday were sceptical, warning that the £500m valuation of the chain was too high. While millions of pounds had been spent on refurbishing bigger showcase stores, many smaller stores were still "tatty" and in need of substantial investment, they said.

"The Debenhams revival has shown department stores have a future, and there is a continuing appetite [in the City] for recovery stocks. But whether it can live up to that and become a recovery stock depends on the management and strategy," said Mr Nick Bubb, retail analyst at Morgan Stanley.



## NEWS DIGEST

### Quadramatic shares at 4% premium

SHARES in Quadramatic, the coin-handling and optical group, ended their first day's trading yesterday at 128p, a 4 per cent premium to the flotation price of 123p.

The placing and intermediates offer valued the Oldham-based company at £36.4m. It raised about £20m to pay off debt, and 25 per cent of the shares on offer went to retail investors.

### Ocean Group to expand in Spain

Ocean Group, the industrial and distribution services company, is to build an £18m automated distribution centre near Barcelona.

Ocean said the 22,000 sq m facility would significantly strengthen its position as a distributor on the Continent through McGregor Cory, its specialist subsidiary.

The announcement coincides with the award of of a six-year, multi-million pound contract by Procter & Gamble for Seralta, McGregor Cory's Spanish subsidiary, to distribute detergents and household cleaning products in Spain.

Ocean said it believed that the Barcelona development would be the first multi-client facility of its kind in Spain. As well and Procter & Gamble, it would distribute for a number of McGregor Cory's Spanish-based customers, including Mars Effem, Pryca and Schweppes.

The facility is expected to begin operations in autumn next year and generate turnover of more than £10m in its first 12 months.

### BZW Securities auctions shares

BZW Securities is auctioning some 1.7m Johnson Matthey shares which it agreed to buy as a result of its cash offer for the precious metals group's enhanced scrip dividend scheme.

The shares are being sold through a strike price auction, which will be open to member firms of the London Stock Exchange and to institutional clients of BZW Securities.

Bids must be received by 5.15pm today.

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Brasway | fin | 0.27 | Oct 29 | 0.34 | 0.51 | 0.58 |
| Central Motor | int | 1 | Oct 1 | 1 | - | 4 |
| Marling Inds | fin | 0.65 | Oct 11 | nil | 0.65† | 0.3 |
| Prospect Inds | int | 0.275 | Aug 23 | 0.25 | - | 0.75 |
| Reliance Sec § | fin | 3.4 | Oct 5 | 3.4* | 4.5 | 4.5* |
| St Andrew Tst | int | 2.7 | Oct 1 | 2.7 | - | 7.55 |
| SB | int | 2.533‡ | Oct 15 | 2.075 | - | 8.6 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On increased capital. §USM stock. ‡Second interim; makes 5.066p to date.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

**TODAY**

Interims- Trust of Property Shares, Yeoman Investment Trust.

Finals- AIM, Eve, Govett American Smaller Companies Trust, Worthington.

**FUTURE DATES**

| | |
|---|---|
| **Interims-** | |
| Allied Radio | Jul. 29 |
| Amicable Smaller Ent | Aug. 24 |
| Chieftain | Aug. 4 |
| Drayton Far Eastern Tst | Jul. 29 |
| Elevier | Aug. 5 |
| Inveresk | Jul. 28 |
| Kleinwort Benson | Aug. 5 |
| Manchester Ship Canal | Aug. 10 |
| Reed Intl | Aug. 5 |
| **Finals-** | |
| Clayhithe | Jul. 28 |
| Gusco | Sep. 9 |
| Manvier-Swain | Jul. 27 |

## IN BRIEF

BURFORD HOLDINGS has been accepted in respect of 98.7 per cent of the recent rights. Subscribers have been procured for the balance.

HODDER HEADLINE has achieved a 93.8 per cent take up of its rights issue at 240p and subscribers have been procured at a premium for the remainder.

QUICKS GROUP: Applications for open offer have been received in respect of 3.5m new ordinary (53.56 per cent). The 3.03m shares not applied for will be allotted at 145p each to those institutional investors with whom the new shares had been conditionally placed.

SERIF: Proposals relating to capital reduction from £3.5m to £3.4m and reduction of share premium account by £351,361 have become effective. Nominal value of shares is now 10p.

SMITH (DAVID S) open offer accepted in respect of 89.6 per cent. Fund raising was in connection with acquisition of Spicers.

SUTCLIFFE SPEAKMAN has completed the disposal of Seyfried. This company's net indebtedness to other group members as at completion was £521,000 and group net indebtedness had been reduced by £482,000 as a result of the sale.

TNT has completed the sale of its Sealand Transport subsidiary to Malcolm Owen, general manager of National Commercial Services.

COMPANY NEWS: UK

# Carlsberg-Tetley deal with Eldridge Pope

By Philip Rawstorne

CARLSBERG-TETLEY and Eldridge Pope are forming a trading alliance designed to widen distribution and boost market share of their beer brands.

Under the agreement, Carlsberg-Tetley – created earlier this year from the merger of the UK brewing operations of Carlsberg and Allied-Lyons – will become the principal supplier of lager, led by the Carlsberg and Castlemaine brands, to Eldridge Pope's 180 pubs.

It will also acquire the Dorset-based brewer's beer wholesaling business for £5.8m, giving it access to other free trade pubs and further strengthening its position in the Wessex area. The operation last year made a profit of £425,000 on turnover of £8.2m.

Regional distribution of the combined portfolio will be handled by Eldridge Pope from Dorchester. Carlsberg-Tetley's depot in Bournemouth will close at the end of the year.

Carlsberg-Tetley will sell Eldridge Pope's Thomas Hardy and Royal Oak cask ales as part of its national portfolio elsewhere in the country and will sign a three-year production contract with the Dorchester brewery.

The Dorset brewer is to strengthen its own sales team to expand sales to wholesalers, including other brewers, retail pub groups and the take-home market.

Eldridge Pope's wholesale wine operations will continue to supply customers throughout the country but Carlsberg-Tetley will distribute wines in in the Wessex region.

The deal should help to consolidate Eldridge Pope's recovery from costly hotel and computer ventures. Mr Christopher Pope, chairman, said yesterday that the company's objectives were to become a leading pub retailer, develop its brands nationally and expand its wine wholesaling.

"This alliance gives us the opportunity to move forward on all three fronts at once", he stated.

Funds from the sale of the beer wholesaling operation would be used for improvements to the company's pubs and possible expansion of the estate.

Mr Don Marshall, Carlsberg-Tetley's managing director, said the alliance would strengthen sales and distribution of the company's brands in more than 550 outlets in the Wessex region and offer cost savings from the merged operations.

Shares in Allied-Lyons closed 3p up at 548p while Eldridge Pope shares, quoted on the USM, gained 5p to 104p.

See Lex

## St Andrew Trust lifts net assets 15%

ST ANDREW Trust, the smaller companies trust now controlled by the Ecclesiastical Insurance Office, reported a net asset value of 287.2p per share as at June 30.

Mr David Ross Stewart, chairman, said: "The rise in net asset value per share of over 15 per cent [against the year-end value of 249.5p] is a welcome vindication of our faith in smaller companies."

Year-on-year net asset value showed an increase of 26 per cent.

Attributable revenue at this Martin Currie-managed trust dipped to £1.21m (£1.22m) for the six month period. The chairman added: "Our revenue from dividends is holding up well despite a general slowdown in dividend growth and significantly lower interest rates on our cash deposits".

The trust's Japanese portfolio expanded by more than 50 per cent over the period and "good moves from other Far East markets fully justified our international stance", he added.

Overseas investment currently accounts for almost 32 per cent of the portfolio.

The interim dividend is maintained at 2.7p, payable from earnings of 3.51p (3.56p) per share.

## Jacques Vert chiefs sell share parcels

Mr Jack Cynamon and Mr Alan Green, joint chairmen of Jacques Vert, the fashion company, have each reduced their stake to 36.3 per cent of the capital.

According to Ms Denise Williams, company secretary, the sales were made to "increase marketability".

She believed there may have been an approach from one of the institutions to buy the shares.

Each sold 250,000 shares – a 2.6 per cent stake – at 109½p to raise £250,000.

In the market yesterday the shares rose 1p to 114p.

## EFM seeks £50m for smaller companies investment trust

By Scheherazade Daneshkhu

EDINBURGH Fund Managers, the international fund management group, yesterday announced the launch of EFM Small Companies Trust to take advantage of what it believes is a favourable economic climate for investment in the sector.

The trust aims to raise £50m through a placing and public offer.

James Capel, broker to the launch, has already placed £37.5m from directors and institutions and is seeking another £12.5m through the public offer.

The trust has a simple capital structure of 50m ordinary shares with one warrant attached to every five shares, at 100p each.

Each warrant will give the shareholder the right to subscribe to one ordinary share at 100p in any year from 1994 to 2008.

The public offer begins today and closes on August 11. Dealings in the shares are expected to start on August 19.

Investment will be in companies with a market capitalisation of £100m or less, and returns will be measured against the Hoare Govett Smaller Companies Index.

Mr Iain Watt, managing director of EFM, said: "We now believe that the economic climate for investment in small companies will produce some excellent opportunities of which this new company can take advantage."

He believes that small companies were undervalued while sentiment towards them was improving.

EFM already has a small companies unit trust, with £78.3m under management at the beginning of July.

This has regularly been top or within the top five performing funds in the sector in the 10 years to July 1, according to Finstat.









**To the Holders of Stichting Restructured Obligations Backed by Senior Assets 2 (ROSA2)**

Pursuant to the Indenture dated as of January 10, 1992, between the Parent and State Street Bank and Trust Company, as Trustee, notice is hereby given that for the Interest Accrual Period July 15, 1993 through October 14, 1993, the rates applicable to the Secured Senior Floating Rate Notes and Secured Senior Subordinated Floating Rate Notes are 3.9625 and 4.6625 respectively.

**Warnford Investments PLC**

**Highlights from the Chairman's Review, 1992**

- Gross income amounted to £12.08 million.
- Dividend for the year 7.50p (1991 7.25p).
- Total reserves of the Group amount to £92 million.
- Group properties have fairly high occupancy levels.
- Confidence in maintaining satisfactory profits for the foreseeable future.

G. Ross Goobey, *Chairman*.
Salisbury House, London Wall, London EC2M 5RQ.

COMPANY NEWS: UK

Disposal of Spanish arm and acquisition in Germany completes refocusing

# Marling cuts deficit to £9.6m

By Peter Pearse

IN A busy period of restructuring and rationalisation, Marling Industries reduced pre-tax losses from £27.9m to £9.6m in the year to March 31.

The new management team, led by chief executive Mr David Abel Smith since January 1992, has been refocusing the group on its core activities of safety belt webbing and industrial textiles.

It has engineered the real reduction of employee numbers across the group by 25 per cent to 678 jobs; it has completed the planned disposal programme with yesterday's announcement of the sale of Murtra Group, its principal Spanish businesses, for a nominal Ptal; and has simultaneously moved the group into a new, though related, product area with the DM7.4m (£2.9m) acquisition of Müller Group.

Müller, which is based in central Germany, makes elasticated products for the "growing" incontinence products market as well as sports bandages and knitted elastic bands.

The cash acquisition is being funded by a 1-for-10 rights issue of up to 16.1m new ordinary shares at 19p apiece. This is the second cash call in a year – the first was for £18m to fund restructuring. As part of the purchase Marling is to refinance DM10m of Müller's debt at 7.25 per cent (currently 10.75 per cent).

Earlier in the year Boalloy, the commercial vehicle body maker, was sold to certain of its managers, and the automotive safety airbags joint venture has been sold to Electrolux Autoliv, Marling's partner.

Yesterday the group finished clearing the decks with the disposal of Murtra. Mr Abel Smith cited other UK companies withdrawing from Spain – Amstrad and British Vita – and explained that the Spanish economy had collapsed since the Barcelona Olympics.

Marling had already largely reorganised Murtra, but it would have still needed "significant cash injections". It was the poorest performing part of the group, incurring operating losses of £1.7m and a deficit of £2.6m before tax. Marling stands to gain deferred consideration of up to £1.5m depending on its future profitability.

Mr William Rollason, finance director, pointed out that Marling's earnings per share from the continuing businesses – excluding Murtra and "non-operational items" (£581,000 on the sale of a German property, £6.32m provisions for the Spanish operations, and £1.4m for Boalloy) – were 1.54p, against losses of 11.3p last time.

Under the same calculations, turnover grew to £54.7m (£52.3m), operating profits were £4m (losses £1.6m) and pre-tax profits amounted to £2.1m after interest payable of £1.9m (£2.2m).

He added that as the cost reductions from productivity and efficiencies started to take effect, the operating profit margin improved to 7.4 per cent.

However, the official figures, compiled on an FRS 3 basis, show that turnover declined from £102.7m to £79m, with continuing operations contributing £73.4m (£74.8m). Total operating profits amounted to £2.09m (losses £6.4m): here continuing operations pitched in £2.37m (losses £2.46m).

Interest payable took £2.98m (£3.47m). Borrowings before the Murtra sale were £15.8m and, after losing its £3.1m debt, gearing will stand at 69 per cent. Losses per share were 7.8p (69.55p).

On the basis of continuing operations, a final and only dividend of 0.65p is proposed (0.3p).

# Prospect waits for second half

PRE-TAX losses at Prospect Industries increased, as expected, from £737,000 to £1.24m in the six months to March 31.

Traditional seasonality was exacerbated by recent acquisitions, said Mr Philip Wilbraham, chairman.

Full-year figures would encompass the benefit of the Davenport purchase and the main trading period of Dunn International, and the interim dividend is lifted to 0.275p (0.25p) to reflect expectations for the second half.

The group provides specialist engineering services to the power generating and process industries. For the previous 12 months to September 30 it made pre-tax profits of £4.44m.

Turnover in the half year jumped from £14.7m to £22.1m, and orders books were in excess of £75m, against £25m last year. The winning of the turnkey repair and maintenance contract at Ferrybridge Power Station by Dunn was probably the most significant contract gained.

Losses per share came to 0.56p (0.47p).

# Anglian Water links to exploit US privatisation

By Richard Gourlay

ANGLIAN WATER is to form a joint venture with American Water Works, the largest water utility in North America outside government hands, to exploit privatisation of municipal waste water services in the US.

The move follows establishment of a similar venture between Yorkshire Water and an Indianapolis-based water company.

Both joint ventures have begun the process of tendering to operate two large waste water, or sewage plants, for the municipality of Indianapolis.

Together with Lyonnais des Eaux-Dumez and Générale des Eaux, the two French groups which are also tendering, the European water companies are exploiting an opportunity that has arisen since the US Environment Protection Agency decided to experiment with limited privatisation.

The European water industry believes it is significantly more efficient at running sewage plants than the US municipalities have proved to be. One UK industry estimate suggests the Indianapolis plants could be operated with half their current staff levels.

If the limited experiment with privatisation is rolled out to other US cities, European water companies could be well positioned to carve out a significant market share, UK industry executives said.

Initially, the US municipalities will be seeking tenders to operate their plant. Full privatisation will have to wait longer. Federal law currently prevents the sale of assets, like many of the municipal water treatment plants, that were built with substantial Federal grant assistance.

Mr Chris Mellor, finance director of Anglian, the UK's largest privatised water company, said his joint venture would seek operating and maintenance contracts and opportunities to control waste water systems in the US.

Anglian and American are each paying $100,000 (£67,000) into the venture to fund working capital needs of what will initially be a marketing company.

Following criticism of diversifications made by other privatised water companies, Mr Mellor stressed that Anglian was not diversifying but expanding into a related area.

He said American Water had only limited experience in waste water and Anglian had no experience of operating in the US. The two were therefore a natural fit.

US privatisation presented substantial export opportunities, Mr Mellor said.

American Water Works owns 125 water utility systems in 20 states, has assets worth £1.5bn and annual revenues of £430m.

## New site for Malaya

Malaya will open its first multi franchise site in London in August. The retail motor group acquired the showroom, in Bow, for £1.2m in May.

It has also exchanged contracts for the sale of its vacant site at Billingshurst for £360,000 cash.

# Brasway falls to £0.8m despite cost cutting

AFTER A period of cost cutting and structural change, pre-tax profits of Brasway showed a sharp decline, from £1.25m to £776,000, over the year to May 1.

The result was bolstered by an exceptional profit of £751,000 on the sale in April of Brasway Tube, which incurred a loss of £167,000 over the period.

Group turnover fell £3.5m to £30.4m.

The company said that of this decline £2.5m was accounted for by Brasway Tube.

Mr Mark Swaby, chairman, said that despite the disappointing figures a final dividend of 0.27p is proposed. This will make a total of 0.51p (0.58p) for the year, payable from earnings per share of 0.69p (1.15p).

Following the disposal of the Brasway Tube business the group acquired Winster Hose for a sum not exceeding £2.41m.

Winster, which makes hoses, couplings and assemblies for the mining, agriculture and construction industries, will be integrated with the group's Europower business.

Mr Swaby said that after the restructuring the balance sheet remained healthy, with gearing of 33 per cent at the end of April.

# Ratification for Heron refinancing

Heron International, Mr Gerald Ronson's property and trading group, had its £1.4bn refinancing plan ratified by the court in Curaçao, Netherlands Antilles.

Last week the scheme was ratified by the Netherlands court in The Hague.

The plan still has to be ratified by the UK courts, although it was approved by a substantial majority of creditors. Five of them, owed a total of $42m (£28m), are attempting to oppose the scheme. Hearings are due to begin next Monday.

# National Power withdraws from Malaysian deal

By Michael Smith

National Power has pulled out of a joint venture to construct and operate two gas fired power stations in Malaysia.

It has received assurances from other partners in the project that it will recover its development costs.

National Power announced last October that it was investing $20m to $30m (£13.3m to £20m) for a 10 per cent stake in the venture with Malaysia's YTL. However, the company said yesterday it did not think it was correct to proceed.

# Bromsgrove expands in US and wins new orders

BROMSGROVE Industries yesterday announced an acquisition in the US for $3.5m (£2.33m) in cash and loan notes, and new orders which reflected its investment in specialist niche markets.

The acquisition is of the Montgomery Group, a Houston-based precision machinist servicing the international oil and gas extraction industry.

Montgomery employs 25 people and in its last financial year recorded turnover of $3m.

A subsidiary, Thornton Precision Forgings, is to supply compressor-vanes for the Pratt & Whitney F100 engine.

Initially the contract is worth $200,000 and is Thornton's first significant US military order.

Rover Group has transferred the casting of 16 engine components to BSK Aluminium, the Droitwich-based company.

Initially worth £450,000 annually, the contract could be worth £750,000 if machining was brought in-house.

BSK has also won orders, potentially worth up to £2.8m per year from 1994, for component supply to vehicles not yet officially announced.

# Interest costs restrain Central Motor Auctions

Higher interest charges offset cost cutting and improved operating efficiencies at Central Motor Auctions in the half year to April 30, and profits before tax declined from £432,000 to £347,000.

Auction proceeds fell from £152.8m to £144.2m but profits at the operating level expanded by 49 per cent, from £359,000 to £536,000.

The previous period included £185,000 from disposal of fixed assets.

Earnings per share worked through at 1.81p (2.7p) and the interim dividend is maintained at 1p.

# Dwyer's £12m sale cuts into borrowings

Dwyer, the property investment and trading group, has contracted to sell a portfolio of seven freehold properties to Frogmore Estates for £12.3m cash.

This will reduce borrowings by £10.8m and, with the other sales effected in the year, will cut gearing to 48 per cent.

The portfolio comprised three retail, three office, and one mixed use investment. It had a book value of £13.9m and produced gross rents of £1.28m. Net rental income from the remaining portfolio will be £2.2m a year.

# Elonex down to £6.83m despite increased sales

By Paul Taylor

ELONEX, the privately-owned personal computer manufacturer, reported lower full-year profits despite a 35 per cent increase in turnover.

Pre-tax profits in the year to April 30 slipped from £9.08m to £6.83m on turnover which increased from £57.8m to £78m.

Mr Michael Spiro, finance director said: "Last year was generally a difficult period for the UK computer industry with deepening recession, a price war intensified by cheaper product ranges from the multinationals, and a 25 per cent fall in the value of sterling."

While many of Elonex's rivals in the fiercely competitive PC market have reported heavy losses, and in some cases have disappeared, he said Elonex had "managed to hold its own in the marketplace."

Despite the downturn in profits the company, which had net current assets of £13.3m (£10.5m) and capital and reserves of £17.5m (£12.4m) at the end of April, still plans a flotation "in due course."

# Nickel prices crash to 6-year lows as stocks rise

By David Blackwell

NICKEL PRICES crashed to fresh six-year lows on the London Metal Exchange yesterday as stocks reached a record.

Metal for delivery in three months fell through the $5,000-a-tonne level to close down $109 at $4,913.50 a tonne, equivalent to $2.23 a lb. Stocks in LME warehouses rose by 1,322 tonnes to 97,104 tonnes.

Mr Angus MacMillan, of Billiton-Enthoven, part of the Royal Dutch/Shell group, said that the fall reflected "a combination of ever-worsening fundamentals".

The first half had seen strong consumption of nickel by the stainless steel industry, tight supplies of stainless steel scrap and less metal exported from the CIS. This led to a draw-down of LME stocks in June, which fell from 96,000 tonnes to 85,476 tonne at the beginning of this month.

**LME WAREHOUSE STOCKS**
(As at Monday's close)
tonnes

| | | |
|---|---|---|
| Aluminium | +1,500 | to 1,922,100 |
| Copper | -100 | to 456,725 |
| Lead | +1,825 | to 265,550 |
| Nickel | +1,332 | to 97,104 |
| Zinc | +400 | to 706,500 |
| Tin | -10 | to 20,415 |

But exports from the CIS had resumed just as stainless steel scrap was becoming readily available, said Mr MacMillan. "The downward pressure will be maintained," he predicted. "We are heading for 100,000 tonnes of stocks this autumn."

Mr William Adams, analyst with Rudolf Wolff, said the market had been looking to trade down.

"There's not an awful lot of optimism around at the moment," he said, putting support at $4,800 a tonne for three-month metal.

● Lead prices held steady after overnight news that Doe Run's lead smelter at Herculaneum, Missouri had ceased production over the weekend because of the flooding of the Mississippi river. Analysts told the Reuter news agency that other lead mining and refining facilities in the area might be threatened by the floods, although they are not as near to the river as the Herculaneum smelter.

# Jittery oil market awaits Opec action

By Deborah Hargreaves

A JITTERY World oil market looked to the Organisation of Petroleum Exporting Countries for action this week to halt the collapse in prices that has been caused by expectations of Iraq's return to the export market.

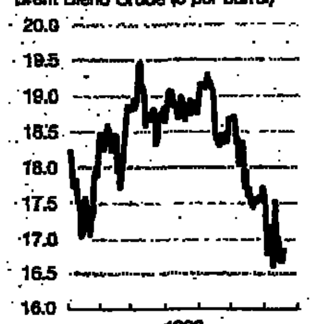
But although member countries have agreed to meet in Vienna next Wednesday, their room for manoeuvre is severely limited. The uncertainty surrounding Opec's action and the likelihood of an Iraqi agreement with the United Nations on oil exports will add to price volatility in the coming week.

"It is very difficult for Opec to do anything, the best they can hope for is that Iraqi exports hit the market in the fourth quarter when demand will be higher," said Mr Geoff Pyne, oil analyst at UBS in London.

The recovery in oil prices from a three-year low of $15.98 a barrel in London on Monday to $16.71 yesterday bears witness to the market's faith in Opec's ability to deal with the situation. The organisation is at its best when managing a crisis and a collapse in price has in the past galvanised it into decisive action.

**Oil price**

Brent Blend Crude ($ per barrel)




Source: Petroleum Argus

Mr Jean Ping, Gabon's oil minister and current president of Opec, set off for Saudi Arabia yesterday on the first leg of his tour of the Middle East, where he will be seeking to build some degree of consensus ahead of the July 28 meeting. But some industry observers see Opec's moves as little more than a cynical attempt to talk up the oil price.

"I'm not sure they have enough goodwill to take any decisive action," said Ms Irene Himona, analyst at Societe Generale Strauss Turnbull securities house, in London.

Opec has at least achieved a short-term aim of improving oil prices, even though many buyers are steering clear of the market until some of the uncertainty is cleared away. If the organisation is unable to follow through with any attempt to staunch the flow of its own oil and make room for Iraq in the market, it could face a price collapse of several dollars.

However, its hands will remain effectively tied until it knows the terms of any oil accord reached between Iraq and the UN. The Iraqi government is still considering a draft deal reached last week, but there are many technical details to be clarified.

Oil prices collapsed over the weekend and fell further on Monday following the Baghdad government's expression of willingness to comply with UN requirements over monitoring of missile sites. Although this is not directly connected to the oil talks it is seen as improving the chances of agreement being reached on a $1.6bn oil sale to pay for humanitarian aid.

One problem for Opec is that its members are all producing at more than their current output ceilings and Kuwait is steadily building up its own production after refusing to sign on to the organisation's last accord. Opec's overall ceiling is 23.6m barrels a day but the flow of members' oil is believed to have reached between 24.3m b/d and 24.5m b/d.

A first step for Mr Ping would be to persuade members to improve their performances on adherence to the existing quotas. Traders point out that Opec countries have mostly sold their crude for August and would be unable to cut exports immediately. But they could trim production in order to stick to their quotas from September.

Towards the end of the year oil demand picks up for seasonal reasons, which makes the timing of any Iraqi oil deal crucial.

Fourth quarter demand for Opec oil could be as high as 26m b/d, which gives the organisation room to accommodate some 500,000 b/d from Iraq as well as higher Kuwaiti output, as long as the other member countries keep production within their current quotas.

The real haggling for Opec will come if the Iraqis win agreement for an earlier return to the market. That could result in other member countries having to cut their existing output if they wanted to prevent prices collapsing. But Opec has had so little success in its past few meetings – with most countries continuing to produce flat-out regardless of their agreed ceilings – that it will be extremely difficult to apportion cuts.

"After the mess they made of the last meeting, I don't think they would be able to convince even the hall porter in the Vienna Marriott if they say they're cutting back immediately," said one trader with a major oil company.

Other analysts point out that the organisation needs to develop a game plan for dealing with the situation after the return of Iraq to the market, as the $1.6bn one-off sale could be followed by a wider lifting of sanctions.

"They have no aces up their sleeves, but they need to remove the uncertainty over what they might do when Iraq comes back," said Mr Joe Stanislaw, analyst with Cambridge Energy Research Associates in Boston.

With oil prices having dropped by about $3 a barrel over the past month, the producers' cartel needs to reach swift agreement on any action it can take to support the market, even if that only involves some smart talking.

# India aims for palm oil boost

By Kunal Bose in Calcutta

ITC AGRO-TECH and Mac Industries are among a group of companies who, encouraged by the federal government, plan to build integrated palm oil complexes in India.

For technologies to promote oil palm plantation and set up crushing and refining factories they are turning to Malaysia, the world's largest producer of palm oil and India's most important supplier.

During the present five year plan period, which ends in 1996-97, the official target is to have at least 80,000 hectares (195,000 acres) under oil palm. This, however, constitutes only a small proportion of the nearly 575,000ha identified as suitable for oil palm cultivation by an expert committee constituted by the agriculture ministry.

Andhra Pradesh and Karnataka, the two southern states, each with a potential to grow oil palm over 250,000ha will emerge as the most important centres for the crop. ITC and Mac have taken the first steps to promote oil palm plantation in Andhra Pradesh. ITC, whose partner in the venture is Kumpulan Emas of Malaysia, has already been allocated 20,000ha by the Andhra Pradesh government. It will eventually have 100,000ha under oil palm. Both companies are importing seedlings from Papua New Guinea to set up nurseries.

According to industry officials, the success of oil palm cultivation in India will depend largely on the quality of farm services support provided to the growers by the companies, which must be ready to buy oil palm fruits at "remunerative prices".

Initially, however, the companies will need financial assistance from the government, which believes that oil palm plantation on a large scale could make the country self reliant in edible oil and also release some high value oils like sunflower for export.

The government is considering the imposition of a levy on the vegetable oil industry to finance the support of oil palm cultivation.

Oil palm is the highest yielding oil plant, with the productivity ranging from three to five tonnes of oil per hectare.

# Hydro Aluminium in Orissa project

By Kunal Bose in Calcutta

HYDRO ALUMINIUM of Norway has joined Indian Aluminium, an associate of Alcan of Canada and Tata Industries to promote a 1m tonnes-a-year, export-oriented alumina (aluminium oxide) project in the Koraput district of Orissa, India. Alcan and Alusuisse will be supplying technology for the project.

According to Mr Tapan Mitra, managing director of Indian Aluminium, the Rs22.5bn (£485m) project should start production by 1996-97. Nearly 25 per cent of the cost will be in foreign exchange.

Some of the alumina will be sold in advance to raise finance for the unit. It is also proposed to get some toll smelted into aluminium abroad.

The new company to be formed to implement the project will take on leases of bauxite (aluminium ore) mines in Orissa with estimated deposits of 200m tonnes.

## MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,545-1,595 (1,540-1,590).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.25-2.50 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, 0.45-0.50 (0.44-0.50).

COBALT: MB free market, $ per lb, in warehouse, 99.8 per cent, 12.50-13.30 (same); 99.3 per cent, 10.10-10.80 (9.80-10.50).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 105-120 (115-130).

MOLYBDENUM: European free market, molybdic oxide, $ per lb Mo, 2.25-2.30.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) $WO_3$, cif, 26-38 (27-39).

VANADIUM: European free market, min. 98 per cent, $ a lb $V_2O_5$, cif, 1.30-1.40 (same).

URANIUM: Nuexco exchange value, $ per lb, $U_3O_8$, 7.00.

# Shanghai rebuffs foreign traders

THE SHANGHAI Metal Exchange has rejected applications from several major overseas firms, saying China is not yet ready for foreign members, according to official reports, reports Reuter from Beijing.

The exchange's deputy director, Mr Hu Yuezheng, quoted by the official China Daily, said American Express, Merrill Lynch and Samsung Company of South Korea had sought seats on the exchange but were refused.

"The time is not ripe," Mr Hu said. "We will not rush into recruiting international members, as foreign organisations have started trading in [the exchange] through Chinese members."

Mr Hu said foreign members could not be recruited as long as the quality of Chinese metal lagged behind international standards, the futures trading rules did not conform to international norms and a multi-currency exchange system was not in place to facilitate settlement.

The Shanghai Metal Exchange has 55 Chinese members serving nearly 1,700 clients.

Trading was active in the first half of 1993. By the end of June, turnover had reached 145bn yuan (£16.8bn) – three times the total for the whole of 1992, the China Daily said.

# Nellore cultivates a taste for seafood

## The Indian region is ideal for aquaculture, writes Shiraz Sidhva

THE SCORCHING hot sun and the treacherous terrain of Nellore in Andhra Pradesh, South India, may be hostile for humans, but is ideal for aquaculture. Here, the cultivation of aquatic livestock like prawns, shrimps, scampi, squid, and lobster, under controlled conditions, is being encouraged by the Indian government to increase exports.

Responding to the growing demand for seafood worldwide, with quick returns on comparatively low investments, several large Indian companies, including ITC, the tobacco, agri-products and hotels company, the Bombay-based Hindustan Lever and Tata groups, the Delhi-based Thapar group, the Madras-based MRF Tyres and Britannia Biscuits are all entering the lucrative aquaculture market. In Nellore, which has the right degree of salinity in the water and is naturally shielded from the vagaries of the cyclone, 20 semi-intensive, export-oriented units have sprung up in the last year alone.

Shrimps accounted for 71 per cent or Rs9.79bn (£210m) of the country's Rs13.73bn seafood exports last year, and could be used to increase India's dismal 1.14 per cent share in the $40bn global seafood market. The country, with its 7,500km coastline and an estimated 1.2m hectares (3m acres) of coastal area ripe for exploitation by shrimp farmers, has distinct advantages over its three main competitors, China, Thailand and Indonesia.

China, the world leader in the farmed shrimp market, exports $1.5bn worth of shrimps a year, 21 per cent of the $7.2bn global market. To achieve a similar level of production, India would need to develop 90,000 hectares of land for shrimp cultivation – 7.5 per cent of the total land available for shrimp farming – compared with the 27,000ha at present devoted to that purpose.

Other advantages like cheap labour and land costs could push India to the top of of the shrimp export league from its present 4.5 per cent share of the global market. The Ministry of Commerce's Marine Products Export Development Authority, which promotes aquaculture and runs a 10ha demonstration farm in Nellore, is working toward bringing an additional 14,000ha under shrimp farming. "But India will have to cultivate an additional 90,500ha of land to be the world's foremost shrimp exporter," said an official of the commerce ministry. "Traditional methods of aquaculture are still being used, though farmers are realising how dramatically they can increase their yield by switching to semi-intensive aquaculture. Shrimp exports have increased by 23 per cent in the last four years, and we reckon that total earnings from shrimp exports could touch Rs90bn by the year 2000, taking us to the top."

Breaking into the fiercely competitive world market has not been easy, according to Mr Elias Sait, managing director of Alsa Marine and Harvests, a Madras-based aquaculture company, with farms and processing factories in Nellore, Puri and Bhubaneswar in Orissa, Vizag in Andhra Pradesh, Calcutta and Cochin. Alsa Marine, with an export turnover of Rs340m, was one of the first Indian companies to market branded Indian shrimps to the European and Japanese markets, and many other companies are following suit.

At present, however, 95 per cent of India's seafood exports are unbranded, with large consignments being block-frozen, instead of packaged for supermarket shelves.

Indian aquaculture companies, besides looking to markets in Japan, which has been the largest importer of Indian seafood, Europe, the US and the Middle East, are also collaborating with foreign companies to be able to compete internationally. The Madras-based Aquamarine Food Products, which recently began operations at its fully export-oriented project in Nellore, has marketing tie-ups with seafood distributors Fiesta Mart, Beaver Street Fisheries of the US and Itoman, Toyo Kosuisan of Japan to market its branded and bulk products.

Sprawling over an area of 160ha, with 132ha of waterspread, in Nellore, Aquamarine's hatchery, farm and processing-cum-packaging unit uses technical assistance from Hanaqua International of Taiwan, the leader in aquaculture techniques.

Mr S. Vijaya Kumar, Aquamarine's managing director, said the integrated project cost Rs185.9m, but with a large grow-out area and higher yields per hectare, the business should yield good dividends within a year. "Aquaculture is going to be big business in the 1990s," he said. He could well be right, with more than 30 Indian companies entering the fray and investing a total of Rs10bn in new projects over the next year.

## WORLD COMMODITIES PRICES

### MARKET REPORT

London's robusta COFFEE futures closed firmer but below the day's highs. The market was showing signs that it might be poised to break above its recent range. Roasters appeared to be trying to increase their cover and origins appeared to be cutting sales in the expectation of further gains. Producer talks on a retention scheme were beginning to be taken seriously by the trade after initial scepticism. Brazil, in particular, has been more supportive than some expected. Chicago SOYABEAN futures were sagging at midsession on profit taking, tied to ideas that the market was extremely overbought. Trading was choppy as the market continued to digest numerous reports and opinions about the extent of flood-damage to the crop in the western US Midwest. "There is a lot of profit taking and nervousness," one trader said. Three-month COPPER see-sawed routinely either side of $1,900 a tonne on the London Metal Exchange with support around $1,890 providing a pivotal rallying point. Three-month ALUMINIUM broke higher in early afternoon trading on US buying which found sellers backing away.

Compiled from Reuters

### London Markets

**SPOT MARKETS**

| Crude oil (per barrel FOB)(Sep) | | + or - |
|---|---|---|
| Dubai | $14.34-4.38u | -.095 |
| Brent Blend (dated) | $16.53-6.55 | -0.08 |
| Brent Blend (Sep) | $16.58-6.62 | -0.11 |
| W.T.I (1 pm est) | $17.66-7.70u | -0.17 |
| **Oil products** (NWE prompt delivery per tonne CIF | | + or - |
| Premium Gasoline | $196-198 | |
| Gas Oil | $158-159 | +1.0 |
| Heavy Fuel Oil | $59-61 | -1.0 |
| Naphtha | $160-162 | -1.0 |
| Petroleum Argus Estimates | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | $392.0 | -3.0 |
| Silver (per troy oz)♣ | $508.5 | -5.0 |
| Platinum (per troy oz) | $405.5 | -2.5 |
| Palladium (per troy oz) | $139.80 | +0.45 |
| Copper (US Producer) | 89.5c | |
| Lead (US Producer) | 34.63c | |
| Tin (Kuala Lumpur market) | 12.71m | |
| Tin (New York) | 231.5c | |
| Zinc (US Prime Western) | 62.0c | |
| Cattle (live weight)† | 130.71p | -4.89* |
| Sheep (live weight)†♠ | 92.69p | -6.56* |
| Pigs (live weight)† | 79.07p | -2.71* |
| London daily sugar (raw) | $261.8 | +3.9 |
| London daily sugar (white) | $268.0 | +2.25 |
| Tate and Lyle export price | £285.5 | +1.5 |
| Barley (English feed) | Unq | |
| Maize (US No. 3 yellow) | Unq | |
| Wheat (US Dark Northern) | £147.0 | |
| Rubber (Aug)▼ | 58.25p | |
| Rubber (Sep)▼ | 59.75p | |
| Rubber (KL RSS No 1 Jul) | 208.0m | |
| Coconut oil (Philippines)§ | $472.5v | -12.5 |
| Palm Oil (Malaysian)§ | $388.0t | -2.5 |
| Copra (Philippines)§ | 292.5c | |
| Soyabeans (US) | £218.0y | |
| Cotton "A" Index | 58.45c | +0.30 |
| Wooltops (64s Super) | 348p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Aug. z-Aug.v-Aug/Sep u-Sep t-Oct/Dec x-Aug/Oct ▼London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

**SUGAR – LCE** ($ per tonne)

| White | Close | Previous | High/Low |
|---|---|---|---|
| Oct | 262.80 | 265.50 | 267.00 262.80 |
| Dec | 264.30 | 266.30 | 267.50 264.30 |
| Mar | 267.80 | 269.50 | 271.00 267.00 |
| May | 270.80 | 272.70 | 271.00 |

White 652 (316) Paris- White (FFr per tonne): Oct 1541.87 Dec 1567.69

**CRUDE OIL – IPE** $/barrel

| | Latest | Previous | High/Low |
|---|---|---|---|
| Sep | 16.62 | 17.05 | 16.98 16.54 |
| Oct | 16.79 | 17.23 | 17.09 16.71 |
| Nov | 17.00 | 17.44 | 17.27 17.00 |
| Dec | 17.20 | 17.65 | 17.43 17.20 |
| Jan | 17.38 | 17.78 | 17.60 17.36 |
| Feb | 17.55 | | 17.61 17.55 |
| IPE Index | 16.35 | 16.69 | |

Turnover 35711 (46336)

**GAS OIL – IPE** $/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Aug | 156.00 | 156.75 | 159.50 157.00 |
| Sep | 158.75 | 158.25 | 160.75 158.00 |
| Oct | 161.50 | 160.50 | 163.25 161.00 |
| Nov | 163.50 | 162.50 | 165.00 163.00 |
| Dec | 166.00 | 165.25 | 167.25 165.50 |
| Jan | 167.50 | 166.75 | 168.50 167.50 |
| Feb | 167.75 | 166.50 | 168.00 167.50 |

Turnover 11497 (14699) lots of 100 tonnes

JUTE
C and F Dundee: BTC $315, BWC $325, BTD $295, BWD $300. C and F Antwerp: BTC $305, BWC $305, BTD $280, BWD $280.

COTTON
Liverpool- spot and shipment sales amounted to 42 tonnes for the week ended 16 July, against nil in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles notably in the CIS and Mali range.

**COCOA – LCE** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Jul | 752 | 755 | 753 760 |
| Sep | 762 | 764 | 768 757 |
| Dec | 771 | 774 | 777 765 |
| Mar | 784 | 786 | 790 779 |
| May | 794 | 796 | 800 791 |
| Jul | 802 | 803 | 806 803 |
| Sep | 811 | | 814 |
| Dec | 823 | | 828 825 |
| May | 845 | 852 | 844 |

Turnover: 3785 (3193) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 19 775.52 (770.96) 10 day average for Jul 20 769.52 (767.01)

**COFFEE – LCE** $/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Jul | 978 | 963 | 983 967 |
| Sep | 1003 | 985 | 1011 990 |
| Nov | 1009 | 992 | 1020 996 |
| Jan | 1006 | 990 | 1016 996 |
| Mar | 1007 | 990 | 1019 998 |
| May | 1012 | | 1016 998 |

Turnover: 5969 (1002) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 16 Comp. daily 60.95 (60.30) 15 day average 58.56 (58.15)

**POTATOES – LCE** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Apr | 91.9 | 92.9 | 92.5 91.0 |

Turnover 58 (16) lots of 20 tonnes.

**SOYAMEAL – LCE** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 185.00 | 185.00 | 185.00 |
| Apr | 186.50 | | 186.50 |

Turnover 25 (20) lots of 20 tonnes.

**FREIGHT – LCE** $10/index point

| | Close | Previous | High/Low |
|---|---|---|---|
| Jul | 1338 | 1321 | 1339 1330 |
| Aug | 1310 | 1298 | 1315 1310 |
| Sep | 1368 | 1326 | 1341 |
| Oct | 1395 | 1373 | 1395 1380 |
| Nov | 1010 | | 1405 |
| BFI | 1361 | 1361 | |

Turnover 287 (34)

**GRAINS – LCE** £/tonne

| Wheat | Close | Previous | High/Low |
|---|---|---|---|
| Sep | 106.10 | 106.30 | 106.10 |
| Nov | 107.70 | 108.05 | 107.90 107.80 |
| Jan | 109.95 | 110.40 | 110.50 109.90 |
| Mar | 112.05 | 112.50 | 112.50 112.05 |
| May | 114.15 | 114.50 | 114.60 114.15 |
| **Barley** | **Close** | **Previous** | **High/Low** |
| Sep | 102.65 | 102.95 | 102.95 |
| Nov | 104.95 | 105.60 | 105.50 104.95 |
| Jan | 107.45 | 107.90 | 107.90 107.45 |

Turnover: Wheat 549 (243), Barley 41 (144).
Turnover lots of 100 Tonnes.

**PIGS – LCE** (Cash Settlement) p/kg

| | Close | Previous | High/Low |
|---|---|---|---|
| Jul | 109.0 | 109.5 | |

Turnover:0 (0)lots of 3,250 kg

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | Total daily turnover 42,469 lots | |
| Cash | 1181.5-2.5 | 1178.5-9.5 | | 1170-0.5 | | |
| 3 months | 1205-6 | 1202-3 | 1215/1192 | 1193.5-4.0 | 1214-5 | 232,885 lots |
| **Copper, Grade A ($ per tonne)** | | | | | Total daily turnover 52,310 lots | |
| Cash | 1894-5 | 1917-8 | 1898 | 1895-6 | | |
| 3 months | 1902-3 | 1917-8 | 1910/1889 | 1904-5 | 1909-10 | 234,372 lots |
| **Lead ($ per tonne)** | | | | | Total daily turnover 7,514 lots | |
| Cash | 390.5-1.5 | 388-8.5 | 388 | 387.5-8.0 | | |
| 3 months | 404-4.5 | 402-2.5 | 405/402 | 401.5-2.0 | 403-3.5 | 23,600 lots |
| **Nickel ($ per tonne)** | | | | | Total daily turnover 3,448 lots | |
| Cash | 4855-4860 | 4961-5 | | 4850-1 | | |
| 3 months | 4912-5 | 5020-5 | 4980/4019 | 4910-2 | 4910-5 | 47,470 lots |
| **Tin ($ per tonne)** | | | | | Total daily turnover 2,454 lots | |
| Cash | 4940-3 | 4985-95 | | 4962-7 | | |
| 3 months | 4994-6 | 5040-50 | 5030/4990 | 5020-5 | 4990-4 | 10,519 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | Total daily turnover 15,383 lots | |
| Cash | 934.5-5.5 | 922.5-3.5 | 930 | 930-0.5 | | |
| 3 months | 951-2 | 939-40 | 958/943 | 947-7.5 | 957-8 | 75,894 lots |

LME Closing £/$ rate:
SPOT: 1.5015 | 3 months: 1.4911 | 6 months: 1.4833 | 9 months: 1.4783

Copper and lead prices are now expressed in dollars per tonne

**LONDON BULLION MARKET**
(Prices supplied by N M Rothschild)

| Gold (troy oz) | $ price | £ equivalent |
|---|---|---|
| Close | 391.75-392.25 | |
| Opening | 391.40-391.80 | |
| Morning fix | 391.50 | 260.444 |
| Afternoon fix | 392.10 | 259.789 |
| Day's high | 393.25-393.75 | |
| Day's low | 391.50-392.00 | |

**Loco Ldn Mean Gold Lending Rates (Vs US$)**

| | | | |
|---|---|---|---|
| 1 month | 2.54 | 6 months | 2.59 |
| 2 months | 2.58 | 12 months | 2.59 |
| 3 months | 2.58 | | |

| Silver fix | p/troy oz | US cts equiv |
|---|---|---|
| Spot | 335.55 | 504.50 |
| 3 months | 340.40 | 508.15 |
| 6 months | 345.20 | 512.60 |
| 12 months | 354.80 | 522.15 |

**GOLD COINS**

| | $ price | £ equivalent |
|---|---|---|
| Krugerrand | 392.00-395.00 | 261.00-264.00 |
| Maple leaf | 403.65-406.20 | - |
| New Sovereign | 92.00-95.00 | 61.00-64.00 |

**TRADED OPTIONS**

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Aug | Oct | Aug | Oct |
| 1175 | 35 | 64 | 6 | 20 |
| 1200 | 19 | 49 | 15 | 29 |
| 1225 | 9 | 36 | 30 | 41 |
| **Copper (Grade A)** | **Calls** | | **Puts** | |
| 1900 | 44 | 85 | 33 | 75 |
| 1950 | 23 | 63 | 61 | 102 |
| 2000 | 10 | 45 | 99 | 134 |
| **Coffee** | **Sep** | **Nov** | **Sep** | **Nov** |
| 850 | 154 | 168 | 1 | 9 |
| 900 | 109 | 127 | 6 | 18 |
| 950 | 69 | 93 | 18 | 34 |
| **Cocoa** | **Sep** | **Dec** | **Sep** | **Dec** |
| 725 | 46 | 60 | 9 | 24 |
| 750 | 30 | 54 | 18 | 33 |
| 775 | 19 | 41 | 32 | 45 |
| **Brent Crude** | **Sep** | **Oct** | **Sep** | **Oct** |
| 1700 | 33 | 63 | 53 | 54 |
| 1750 | 11 | 31 | 75 | - |
| 1800 | 4 | 21 | - | - |

### New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 391.9 | 392.0 | 0 | 0 |
| Aug | 392.2 | 392.4 | 393.8 | 391.1 |
| Sep | 393.2 | 393.4 | 0 | 0 |
| Oct | 394.4 | 394.6 | 396.2 | 393.6 |
| Dec | 396.5 | 396.8 | 398.2 | 395.5 |
| Feb | 398.3 | 398.6 | 399.9 | 398.0 |
| Apr | 400.2 | 400.4 | 0 | 0 |
| Jun | 402.0 | 402.2 | 402.8 | 402.0 |
| Aug | 403.8 | 404.0 | 0 | 0 |

**PLATINUM 50 troy oz; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 407.7 | 406.6 | 0 | 0 |
| Oct | 407.7 | 408.1 | 409.5 | 407.0 |
| Jan | 408.7 | 408.9 | 410.0 | 407.5 |
| Apr | 409.5 | 409.6 | 0 | 0 |

**SILVER 5,000 troy oz; cents/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 504.0 | 504.2 | 506.5 | 500.5 |
| Aug | 504.9 | 505.2 | 0 | 0 |
| Sep | 506.2 | 506.5 | 510.0 | 502.0 |
| Dec | 511.4 | 511.7 | 515.5 | 507.0 |
| Jan | 512.0 | 512.3 | 0 | 0 |
| Mar | 516.5 | 516.8 | 517.0 | 513.5 |
| May | 520.4 | 520.7 | 523.0 | 517.0 |
| Jul | 523.9 | 524.2 | 523.5 | 523.5 |
| Sep | 527.7 | 528.0 | 530.0 | 526.0 |
| Dec | 533.4 | 533.7 | 534.0 | 530.5 |

**HIGH GRADE COPPER 25,000 lbs; cents/lbs**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 84.50 | 84.90 | 85.15 | 84.45 |
| Aug | 84.50 | 84.90 | 84.50 | 84.50 |
| Sep | 84.80 | 85.15 | 85.75 | 84.50 |
| Oct | 85.00 | 85.25 | 0 | 0 |
| Nov | 85.15 | 85.40 | 0 | 0 |
| Dec | 85.25 | 85.50 | 86.00 | 85.00 |
| Jan | 85.40 | 85.60 | 0 | 0 |
| Feb | 85.55 | 85.80 | 0 | 0 |
| Mar | 85.75 | 86.00 | 86.00 | 85.70 |
| Apr | 85.90 | 86.15 | 0 | 0 |

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 17.10 | 17.70 | 17.78 | 17.08 |
| Sep | 17.73 | 18.25 | 18.26 | 17.63 |
| Oct | 18.00 | 18.47 | 18.49 | 17.93 |
| Nov | 18.20 | 18.66 | 18.68 | 18.12 |
| Dec | 18.37 | 18.84 | 18.80 | 18.27 |
| Jan | 18.47 | 18.99 | 18.90 | 18.47 |
| Feb | 18.57 | 19.11 | 18.94 | 18.56 |
| Mar | 18.75 | 19.20 | 19.05 | 18.62 |
| Apr | 18.71 | 19.28 | 19.13 | 18.71 |
| May | 18.77 | 19.36 | 19.08 | 18.74 |

**HEATING OIL 42,000 US galls, cents/US galls**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 49.80 | 50.50 | 50.75 | 49.35 |
| Sep | 50.60 | 51.54 | 51.55 | 50.35 |
| Oct | 51.65 | 52.67 | 52.50 | 51.60 |
| Nov | 52.95 | 53.80 | 53.60 | 52.80 |
| Dec | 54.05 | 54.90 | 54.80 | 53.90 |
| Jan | 54.90 | 55.75 | 55.60 | 54.75 |
| Feb | 55.25 | 56.00 | 55.85 | 55.00 |
| Mar | 54.55 | 55.20 | 55.00 | 54.55 |
| Apr | 53.65 | 54.25 | 54.25 | 53.85 |
| May | 53.00 | 53.40 | 53.40 | 53.00 |

**COCOA 10 tonnes;$/tonnes**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 978 | 989 | 998 | 974 |
| Dec | 1010 | 1020 | 1028 | 1006 |
| Mar | 1038 | 1045 | 1050 | 1032 |
| May | 1058 | 1065 | 1056 | 1056 |
| Jul | 1078 | 1085 | 0 | 0 |
| Sep | 1098 | 1105 | 0 | 0 |
| Dec | 1119 | 1125 | 1120 | 1120 |
| Mar | 1139 | 1146 | 0 | 0 |
| May | 1157 | 1164 | 0 | 0 |

**COFFEE "C" 37,500lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 72.65 | 72.20 | 73.50 | 73.40 |
| Sep | 72.30 | 72.75 | 74.95 | 71.75 |
| Dec | 74.75 | 75.25 | 77.50 | 74.20 |
| Mar | 77.00 | 77.20 | 79.40 | 77.60 |
| May | 78.30 | 78.50 | 80.60 | 79.35 |
| Jul | 79.60 | 79.95 | 81.75 | 81.75 |
| Sep | 80.90 | 81.35 | 0 | 0 |
| Dec | 84.65 | 84.50 | 85.00 | 84.50 |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 9.79 | 9.98 | 10.06 | 9.78 |
| Mar | 10.00 | 10.19 | 10.33 | 9.97 |
| May | 10.03 | 10.28 | 10.38 | 10.02 |
| Jul | 10.05 | 10.25 | 10.34 | 10.05 |
| Oct | 10.06 | 10.20 | 10.30 | 10.06 |

**COTTON 50,000; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 60.85 | 59.70 | 60.90 | 59.55 |
| Dec | 62.34 | 61.15 | 62.40 | 60.94 |
| Mar | 63.30 | 62.10 | 63.40 | 61.92 |
| May | 64.14 | 62.75 | 64.15 | 62.80 |
| Jul | 64.70 | 63.40 | 64.00 | 63.40 |
| Oct | 62.50 | 62.00 | 0 | 0 |
| Dec | 62.70 | 62.00 | 62.70 | 61.75 |

**ORANGE JUICE 15,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 116.20 | 116.35 | 116.90 | 114.50 |
| Nov | 119.40 | 119.35 | 120.00 | 118.10 |
| Jan | 121.50 | 121.00 | 121.75 | 120.25 |
| Mar | 123.50 | 123.00 | 123.80 | 122.00 |
| May | 125.50 | 125.00 | 0 | 0 |
| Jul | 125.50 | 125.00 | 0 | 0 |
| Sep | 122.50 | 122.50 | 0 | 0 |
| Nov | 122.50 | 122.50 | 0 | 0 |

**INDICES**

REUTERS (Base:September 18 1931 = 100)

| Jul.20 | Jul.19 | mnth ago | yr ago |
|---|---|---|---|
| 1706.8 | 1702.3 | 1682.7 | 1559.8 |

DOW JONES (Base: Dec. 31 1974 = 100)

| | Jul.19 | Jul.16 | mnth ago | yr ago |
|---|---|---|---|---|
| Spot | 123.04 | 123.87 | 120.17 | 118.04 |
| Futures | 127.80 | 126.60 | 121.00 | 118.97 |

### Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 727/2 | 734/0 | 734/0 | 723/0 |
| Aug | 728/2 | 734/4 | 735/0 | 722/0 |
| Sep | 729/4 | 737/0 | 736/4 | 724/4 |
| Nov | 729/6 | 736/0 | 737/0 | 723/0 |
| Jan | 732/0 | 738/4 | 736/4 | 729/0 |
| Mar | 733/2 | 740/0 | 740/0 | 730/4 |
| May | 732/4 | 740/0 | 738/4 | 730/0 |
| Jul | 732/0 | 739/4 | 736/4 | 730/0 |

**SOYABEAN OIL 60,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 24.60 | 24.70 | 24.77 | 24.35 |
| Aug | 24.57 | 24.66 | 24.83 | 24.32 |
| Sep | 24.76 | 24.75 | 24.95 | 24.45 |
| Oct | 24.85 | 24.85 | 25.00 | 24.60 |
| Dec | 25.07 | 25.03 | 25.25 | 24.70 |
| Jan | 25.08 | 25.10 | 25.24 | 25.00 |
| Mar | 25.10 | 25.15 | 25.30 | 25.05 |
| May | 25.11 | 25.15 | 25.30 | 25.05 |

**SOYABEAN MEAL 100 tons; $/ton**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 241.3 | 243.7 | 243.5 | 239.0 |
| Aug | 234.8 | 237.7 | 236.7 | 232.5 |
| Sep | 232.8 | 235.7 | 234.5 | 231.3 |
| Oct | 231.9 | 234.6 | 234.0 | 230.5 |
| Dec | 232.2 | 234.7 | 234.5 | 230.0 |
| Jan | 231.2 | 233.7 | 233.0 | 229.0 |
| Mar | 230.0 | 232.5 | 231.5 | 226.0 |
| May | 228.3 | 232.0 | 229.0 | 223.0 |

**MAIZE 5,000 bu min; cents/56lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 238/4 | 237/0 | 240/0 | 233/4 |
| Sep | 241/6 | 243/0 | 244/2 | 240/2 |
| Dec | 250/4 | 252/0 | 253/6 | 249/2 |
| Mar | 257/4 | 258/6 | 260/4 | 255/4 |
| May | 261/4 | 262/6 | 264/2 | 260/2 |
| Jul | 261/4 | 262/4 | 265/0 | 260/4 |
| Sep | 250/0 | 249/4 | 251/2 | 250/0 |
| Dec | 245/0 | 244/4 | 246/0 | 243/2 |

**WHEAT 5,000 bu min; cents/60lb-bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 330/2 | 299/0 | 304/0 | 298/4 |
| Sep | 307/6 | 304/0 | 311/0 | 302/0 |
| Dec | 317/6 | 314/4 | 321/0 | 311/4 |
| Mar | 322/6 | 320/2 | 325/4 | 318/0 |
| May | 319/0 | 318/0 | 322/0 | 315/0 |
| Jul | 309/4 | 309/0 | 310/0 | 306/0 |

**LIVE CATTLE 40,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 73.425 | 72.950 | 73.450 | 72.600 |
| Oct | 73.450 | 73.050 | 73.575 | 72.750 |
| Dec | 75.000 | 74.675 | 75.100 | 74.500 |
| Feb | 75.100 | 74.775 | 75.200 | 74.650 |
| Apr | 76.075 | 75.800 | 76.225 | 75.650 |
| Jun | 73.050 | 72.825 | 73.350 | 72.825 |
| Aug | 72.000 | 71.800 | 72.100 | 71.850 |

**LIVE HOGS 40,000 lb; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 47.075 | 47.800 | 47.700 | 47.025 |
| Aug | 46.600 | 47.150 | 47.150 | 46.425 |
| Oct | 43.325 | 43.400 | 43.600 | 43.050 |
| Dec | 45.275 | 45.200 | 45.550 | 45.075 |
| Feb | 45.950 | 45.825 | 46.250 | 45.775 |
| Apr | 44.925 | 44.300 | 45.175 | 44.800 |
| Jun | 50.125 | 50.075 | 50.350 | 49.925 |
| Jul | 49.450 | 49.450 | 49.600 | 49.250 |

**PORK BELLIES 40,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 40.425 | 42.425 | 41.600 | 40.425 |
| Aug | 39.825 | 40.850 | 40.350 | 38.850 |
| Feb | 48.400 | 47.925 | 48.600 | 48.700 |
| Mar | 47.850 | 47.375 | 48.100 | 48.700 |
| May | 49.100 | 48.800 | 49.100 | 48.400 |
| Jul | 48.600 | 48.600 | 0 | 0 |
| Aug | 48.950 | 48.950 | 0 | 0 |

# LONDON STOCK EXCHANGE

# Worries from the US hit blue chips

By Terry Byland,
UK Stock Market Editor

A UK stock market already discouraged by the lukewarm investment reception for the BT3 issue on the previous day took a turn for the worse yesterday afternoon after Mr Alan Greenspan, chairman of the US Federal Reserve, characterised this year's US inflation trends as "disappointing".

Early gains in London were sharply reversed and the FT-SE 100 Index was down by 24.3 until losses were trimmed after a rally on Wall Street. The final reading of 2,823.9 on the Footsie left a fall on the day of 19 points.

The setback was led by a sharp fall in stock index futures. Downward pressure on equities was reportedly moderate, however, with trading in the BT issues still making up about 10 per cent of overall turnover.

The market was helped at first by a firmer tone in pharmaceutical issues. However, the initial gain of 6.1 on the Footsie began to melt away after a hesitant start by the September future contract on the Footsie. Lacking any further excitement from the BT stocks, the equity market hung fire until a sell-off in stock index futures sounded the alarm ahead of Mr Greenspan's prepared address to the US Senate Banking Committee.

Disappointment with the news of 3.3 per cent annualised growth in UK M4 money supply eased after comments on the outlook for domestic inflation from UK economists, but broader confidence was damaged by Mr Greenspan's discouraging views on inflation across the Atlantic.

Firmness in sterling reduced the chances of a cut in domestic base rates, thus undermining one of the few remaining props beneath near-term confidence in equities. As the close of trading drew nigh, optimism was fast disappearing and there was a ready audience for suggestions that a large UK bank might announce a large rights issue this morning. However, many traders scouted such rumours.

The gloom over the market was also shown in another modest fall in shares in second line issues, bringing a dip of 6.3 to 3,205.0 in the FT-SE Mid 250 Index. But trading in the second liners was down to about 58 per cent of the day's Seaq total of 604.7m shares. On Monday, when business was boosted by the BT3 issue, Seaq reported 760.4m shares traded, for a retail worth of £1.51bn.

Consmer sectors paid little heed to the latest report from the Confederation of British Industries (CBI) which indicated that June brought the sixth consecutive monthly rise in UK retail sales.

The CBI report also said that the sales recovery was patchy, lending support to the stock market's doubts about the economic recovery in the UK.

The slide in the market was the more disturbing for market strategists because the drugs sector, which has been a significantly bearish drag on UK equities, was firmer yesterday. Doubts were expressed as to the likely duration of the rally in pharmaceutical stocks and traders looked keenly yesterday for signs that the international fund managers were prepared to return to a sector which has cost so many of them dear since this.

With valuations of the UK equity market still under question and the domestic political outlook now in jeopardy, equity analysts sounded unwilling to be drawn on the short term prospects for share prices.

## TRADING VOLUME IN MAJOR STOCKS

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| ASDA Group† | 11,000 | 62¾ | +½ |
| Abbey National† | 2,800 | 403 | -6 |
| Albert Fisher | 830 | 65 | +1 |
| Allied-Lyons† | 2,300 | 548 | +3 |
| Anglian Water† | 1,300 | 475 | +4 |
| Argos | 806 | 314 | +3 |
| Argyll Group† | 7,100 | 302 | -11 |
| Arjo Wiggins† | 1,800 | 198 | -1 |
| Assoc. Brit. Foods† | 290 | 459 | -6 |
| Ass. Brit. Ports | 579 | 412 | +1 |
| BAA† | 889 | 730 | -5 |
| BAT Inds.† | 10,000 | 430 | -½ |
| BET | 2,300 | 117 | -1 |
| BICC | 1,700 | 408 | -2 |
| BOC† | 2,700 | 655 | +6 |
| BP† | 8,500 | 288½ | +1 |
| BPB Inds. | 155 | 216 | |
| BT† | 21,000 | 413½ | |
| BT (P/Paid) | 41,000 | 168½ | +½ |
| BTR† | 2,800 | 365½ | -½ |
| Bank of Scotland† | 1,300 | 156 | |
| Barclays† | 5,000 | 478 | -14 |
| Bass† | 1,600 | 472 | -12 |
| Blue Circle† | 451 | 245 | -2 |
| Booker | 728 | 395 | -4 |
| Boots† | 4,600 | 429 | -6 |
| Bowater† | 2,200 | 449 | +1 |
| Brit. Aerospace† | 3,300 | 400 | -18 |
| British Airways† | 3,200 | 310 | -5 |
| British Gas† | 5,800 | 292 | -6 |
| British Land | 1,000 | 345 | +1 |
| British Steel† | 9,800 | 102½ | |
| Bunzl | 772 | 126 | -2 |
| Burmah Castrol† | 248 | 705 | -10 |
| Burton | 3,000 | 78¾ | -2 |
| Cable & Wire.† | 979 | 759 | -5 |
| Cadbury Schweppes† | 2,200 | 433 | -11 |
| Calor Group | 153 | 238 | |
| Carlton Comms.† | 792 | 735 | |
| Coats Viyella† | 2,300 | 234 | -1 |
| Comm. Union† | 1,300 | 621 | -10 |
| Cookson | 207 | 210 | +1 |
| Courtaulds† | 2,700 | 514 | -2 |

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| Dalgety | 223 | 443 | -5 |
| De La Rue† | 1,100 | 636 | -8 |
| Dixons | 1,700 | 199 | +3 |
| Eastern Elec. | 581 | 484 | +9 |
| East Midland Elect. | 389 | 466 | +9 |
| Eng China Clays | 818 | 408 | -4 |
| Enterprise Oil† | 833 | 439 | -1 |
| Eurotunnel Units | 127 | 400 | -5 |
| FKI | 351 | 148 | |
| Fisons | 1,400 | 184 | -1 |
| Foreign & Col. I.T. | 581 | 231½ | -½ |
| Forte† | 1,800 | 224 | -5 |
| Gen. Accident† | 1,300 | 630 | +5 |
| General Elect.† | 1,400 | 324 | -2 |
| Glaxo† | 3,200 | 531 | +8 |
| Glynwed Intl. | 324 | 292 | -3 |
| Granada† | 2,400 | 403 | -1 |
| Grand Met.† | 3,500 | 398 | -7 |
| GUS A† | 826 | 1369 | +8 |
| GRE† | 1,500 | 200 | -4 |
| GKN | 1,200 | 461 | +8 |
| Guinness† | 1,500 | 454 | -1 |
| HSBC (75p shs)† | 4,100 | 631 | -18 |
| Hammerson 'A' | 1,300 | 315 | -5 |
| Hanson† | 8,500 | 235 | -¼ |
| Harrisons Crosfield | 370 | 184 | -1 |
| Hillsdown | 642 | 139 | -7 |
| IMI | 378 | 273½ | -1 |
| ICI† | 1,600 | 641 | -1 |
| Inchcape† | 1,400 | 624½ | -7½ |
| Johnson Matthey | 308 | 457 | -5 |
| Kingfisher† | 1,800 | 588 | -7 |
| Kwik Save | 209 | 670 | -7 |
| Ladbroke† | 3,500 | 180 | -6 |
| Land Securities† | 2,100 | 608 | +3 |
| Laporte | 1,300 | 578 | -17 |
| Legal & General† | 690 | 512 | +2 |
| Lloyds Abbey | 731 | 441 | -2 |
| Lloyds Bank† | 3,700 | 579 | -9 |
| LASMO | 1,500 | 134 | -3½ |
| London Elec. | 1,400 | 494 | +11 |
| Lonrho | 915 | 129 | -1 |
| Lucas | 822 | 147 | -1 |

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| MB Caradon† | 1,100 | 273 | -6 |
| MEPC | 980 | 454 | +4 |
| MFI | 780 | 725 | -7 |
| Manweb | 323 | 629 | +10 |
| Marks & Spencer† | 1,700 | 329½ | -5½ |
| Midlands Elec. | 971 | 508 | +8 |
| Morrison (Wm.) | 152 | 130 | -3 |
| NFC† | 855 | 240 | -1 |
| NatWest Bank† | 3,700 | 491 | -15 |
| National Power† | 1,000 | 357½ | +1½ |
| Next | 1,900 | 171½ | -1½ |
| North West Water† | 1,200 | 467 | +4 |
| Northern Elec. | 933 | 623 | [illegible] |
| Northern Foods† | 1,000 | 254 | -6 |
| Norweb | 428 | 517 | |
| Pearson† | 780 | 438 | -7 |
| P & O† | 831 | 628 | -5 |
| Pilkington | 4,400 | 132 | |
| PowerGen† | 881 | 380 | +1 |
| Prudential† | 3,000 | 345 | -3 |
| RMC† | 410 | 775 | -4 |
| RTZ† | 1,500 | 663 | |
| Racal | 1,200 | 216 | |
| Rank Org.† | 1,300 | 719 | -6 |
| Reckitt & Colman† | 776 | 550 | -2 |
| Redland† | 847 | 480 | -1 |
| Reed Intl.† | 869 | 646 | -14 |
| Rentokil† | 700 | 199 | -2 |
| Reuters† | 390 | 1392 | +8 |
| Rolls Royce | 1,200 | 140 | +1 |
| Rothmans† | 839 | 680 | -3 |
| Ryl Bk Scotland† | 2,400 | 298 | -7 |
| Royal Insurance† | 2,000 | 314 | -10 |
| Saatchi | 912 | 180 | -3 |
| Sainsbury† | 4,800 | 450 | -8 |
| Scottish & New.† | 543 | 440 | -6 |
| Scot. Hydro-Elect.† | 1,200 | 341 | +1 |
| Scottish Power† | 2,100 | 321 | +2 |
| Sears† | 601 | 65½ | -½ |
| Sedgwick | 2,400 | 169 | +3 |
| Seeboard | 188 | 527 | +5 |
| Severn Trent Water† | 3,000 | 471 | +1 |
| Shell Transport† | 1,700 | 608 | +1 |

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| Siebe† | 782 | 492 | -6 |
| Slough Ests | 844 | 229 | -1 |
| Smith (W.H.) A | 700 | 442 | -5 |
| Smith & Nephew† | 1,700 | 141 | +½ |
| SmKl Beecham† | 2,100 | 419 | +3 |
| SmKl Beecham Uts.† | 1,100 | 359 | +3 |
| Smiths Inds. | 221 | 360 | |
| Southern Elect. | 404 | 489 | +8 |
| South Wales Elect. | 157 | 553 | +12 |
| South West Water | 148 | 511 | +3 |
| South West. Elect. | 436 | 498 | +8 |
| Southern Water | 349 | 490 | +7 |
| Standard Chartd.† | 1,800 | 836 | -15 |
| Storehouse | 1,100 | 192 | -2 |
| Sun Alliance† | 2,200 | 382 | |
| T&N | 3,000 | 194 | +4 |
| TI Group† | 314 | 332 | -3 |
| TSB† | 3,900 | 139 | -4½ |
| Tarmac | 2,100 | 127 | -1 |
| Tate & Lyle† | 351 | 384 | -2 |
| Taylor Woodrow | 1,500 | 110 | -3 |
| Tesco† | 8,400 | 204 | -5 |
| Thames Water† | 520 | 475 | +3 |
| Thorn EMI† | 1,100 | 933 | -1 |
| Tomkins† | 2,000 | 220 | -½ |
| Trafalgar House | 1,300 | 100 | -1 |
| Unigate | 582 | 337 | -4 |
| Unilever† | 1,400 | 949 | -17 |
| United Biscuits† | 1,000 | 360 | -7 |
| Utd. Newspapers | 775 | 521 | -2 |
| Vodafone† | 887 | 443 | -4 |
| Warburg (SG)† | 1,200 | 729 | +1 |
| Wellcome† | 1,300 | 621 | +17 |
| Welsh Water | 228 | 544 | -2 |
| Wessex Water | 26 | 577 | -2 |
| Whitbread 'A'† | 1,300 | 502 | +8 |
| Williams Hldgs.† | 709 | 313 | -7 |
| Willis Corroon | 674 | 212 | |
| Wimpey | 1,900 | 169 | +3 |
| Wolseley† | 294 | 608 | -1 |
| Yorkshire Elect. | 1,300 | 522 | +14 |
| Yorkshire Water | 726 | 481 | +5 |
| Zeneca† | 4,500 | 604 | -6 |

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

### Account Dealing Dates

| | | |
|---|---|---|
| *First Dealings: | | |
| Jul 5 | Jul 19 | Aug 2 |
| Option Declarations: | | |
| Jul 15 | Jul 29 | Aug 12 |
| Last Dealings: | | |
| Jul 16 | Jul 30 | Aug 13 |
| Account Day: | | |
| Jul 26 | Aug 9 | Aug 23 |

*New time dealings may take place from 8.30am two business days earlier.

# Brand concerns return

FRESH shivers of apprehension were sent through companies with strong brand products as Philip Morris, the US tobacco group, announced that the provisional price cuts it made earlier this year would now be extended to some of its other premium brands. It also said that the reduction in the price of its top-selling Marlborough cigarette brand would be made at the wholesale level. BAT Industries, Unilever and Cadbury Schweppes all fell sharply on the news, although BAT later recovered on speculative buying.

Fears over the effect of price cuts by leading brand manufacturers in reponse to cheaper alternatives has been plagueing related stocks for some time. Earlier this month, Procter and Gamble caused dismay among its peers by announcing a series of price cuts, which impacted in particular on Unilever, one of its main competitors.

Although yesterday's news affected sentiment, speculation ahead of the move last week had already put implications of the day's developments into the BAT price and the stock soon rallied. Dealers also pointed out that the issue was not finally decided and that Philip Morris was also raising some cigarette prices.

BAT finished just a halfpenny off at 430p, after 418p, following hefty turnover of 10m shares. Unilever had a more torrid time, its shares tumbling 17 to 949p, the lowest price since September last year. Cadbury weakened 11 to 433p.

## Utilities strong

Utilities were seized as a port in the storm as nervous investors grew increasingly concerned about prospects for economic recovery and retreated into defensive stocks.

The regional electricity companies made the most powerful gains, with the stocks boasting attractive yields and trading on the back of a strong performance on the previous day when 10 of them went ex-dividend.

Such a strong showing increased interest in "recs" and fuelled a squeeze on the stocks.

One analyst forecast the recs' fortunes to ride the wave for a little while to come, stressing that their popularity is underpinned by sound finances. "There is certainly no reason to be selling them."

**Eastern Electricity** moved up 9 to 484p. **East Midlands** made the same gain and ended at 466p and **London** put on 11 at 494p, while **Northern** advanced 13 to 523p, **South Wales** 12 to 553p and **Yorkshire** 14 to 522p.

Water utilities bounced against the market trend in more modest fashion. **Anglian** rose 4 to 475p, **North West** gained 4 at 467p, **Southern** moved up 7 to 490p and **Yorkshire** ended 5 higher at 491p.

## Argyll weakens

There was yet more gloomy news on the food retailing sector as **Argyll**, which owns the Safeway supermarket chain, made a disappointing trading statement. The shares had risen in pre-market trading on hopes of higher than expected sales. While these were largely in line with market forecasts, they were accompanied by a warning from the company that: "Sales inflation influenced in part by the highly competitive trading conditions continues at record low levels." Market pessimism at food price inflation levels, combined with tighter margins, had led to several downgradings of the sector in recent weeks.

Yesterday, Argyll slumped 10 to 302p, its lowest level for 18 months in turnover of 7.1m. Elsewhere, **Kwik Save** slid 7 to 670p, **J Sainsbury** 8 to 450p and **Tesco** 5 to 204p.

## Reuters gains

A strong recommendation for **Reuters** from Lehman Brothers ensured that the shares remained in positive territory adding 6 to 1392p, in a poor day in the market.

Mr Alastair Smellie at the US investment bank believes that Reuters "unrivalled market penetration, its quality and visibility of earnings, enormous financial strength and accelerating growth prospects more than justify its current premium rating." He predicted the stock would rise to 1600p within the next year. The company reports interim figures next week.

Chemicals manufacturer **BOC Group** jumped 6 to 655p as Hoare Govett recommended the stock. The broker said the shares have underperformed by 20 per cent this year and look good value. At the same time, Hoare's downgraded **Laporte** from £114m to £110m for this year citing tough trading conditions. The shares fell 17 to 378p.

Results from **SmithKline Beecham** came in at the top end of market forecasts helping the shares add 3 to 419p. Pre-tax profits grew 15 per cent to £601m from £521m. Mr Robert Bauman, the chief executive, said that group's performance was satisfactory, but he warned of an increasing degree of uncertainty in the drugs sector due to economic and regulatory pressures.

Meanwhile, selected drugs stocks bounced from their recent weakness as investors looked for bargains. **Wellcome** gained 17 to 621p and **Glaxo** 8 to 531p.

Calm came to the second day's trading in the new BT partly-paid shares and they closed a half-penny ahead at 168½p. Turnover was 38m, compared with Monday's 187m, as the profit-takers faded and the stock settled into a narrow trading range. BT ordinary shares were unchanged at 413½p.

Second line hotel stocks, battered in recent sessions following the suspension of Resort Hotels, staged a modest recovery, although confidence in the UK economic recovery remained uncer tain. **Stakis**, helped by reinforced positive stances from Hoare Govett and Smith New Court, gained 3 to 55p in volume of 1.2m. **Friendly Hotels** put on 4 to 202p.

Shares in **British Aerospace** gave up 18 to 400p amid talk of an over supply of defence equipment on the market and further concern about the financing of BAe's planned £250m regional jets joint venture with Taiwan. However, the company chairman said he was confident the financing problems would be solved shortly.

Among motor stocks, **GKN**, added 8 to 461p, and **T&N** improved 4 to 194p, with agency broker Henderson Crosthwaite said to have been the day's big shoppers with a view that next months UK new car registrations should benefit both component suppliers.

Profit-taking left **Siebe** 5 lighter at 492p. Strong demand for **Vosper Thornycroft** following a recent visit from institutions saw the shares gain 16 to 629p. A stock shortage continued in **VSEL**, and the shares put on 15 to 863p. It was also a squeeze, this time in **Hunting**, which helped drive the shares 9 better at 236p. Bargain-hunters for **Meggitt** helped reverse the recent decline in the stock. The shares hardened 3 to 105p.

The first day of dealings in engineering group **Quadramatic** cheered the market. Having made its debut at 123p, the shares closed 5 better at 128p.

In the transport sector, US selling continued in **Tiphook** sending the stock further into retreat, following last week's figures which revealed a loss. The closed 17 lower at 213p, having been lifted off the bottom by bargain hunters.

News from **Ocean Group** that it had won a multi-million pound 6-year contract from Procter and Gamble for the distribution of P&G's detergents in Spain. That announcement coincided with news that it is to invest £18m in constructing an automated distribution centre in Spain. The shares gained 4 to 292p.

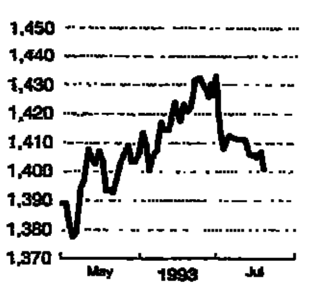
A technical boost buoyed **Campari**, the sporting clothes company. Some demand and a dearth of sellers pushed it up 5 to 138p.

Reports that **National WestMinister Bank** had collected details of customers political affiliations overhung the banking sector. NatWest shed 15 to 491p, with talk that it may soon call on investors for cash, also doing the rounds. **Lloyds** eased 9 to 579p, while **Barclays** gave up 14 to 478p.

**MARKET REPORTERS:**
**Joel Kibazo,**
**Christopher Price,**
**Christine Buckley.**

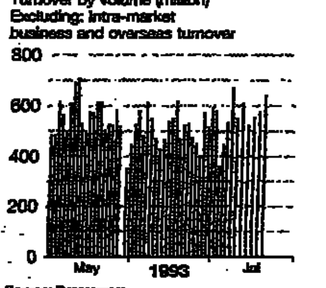
■ Other statistics, Page 18

### FT-A All-Share Index




### Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business and overseas turnover




Source: Datastream

### NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (121). BRITISH FUNDS (19) OTHER FIXED INTEREST (5) AMERICANS (3) Dana, Lockheed, Whirlpool, BANKS (4) NatWest, Ozoman, Standard Chrtd., TSB, BREWERS (1) Eldridge Pope, BLDG MATLS (2) Grafton, Unigroup, CHEMS (1) Halstead (J), CONTG & CONSTRCN (2) Amco, Britannia, ELECTRICALS (2) Pifco, Do A, ELECTRONICS (3) Alba, Electron House, Scantronic, ENG AERO (2) Hunting, Do 8½pc Pf., ENG GEN (4) Bridport-Gundry, Prosser, Renold, Vosper Thornycroft, FOOD MANUF (1) Acatos & Hutcheson, HOTELS & LEIS (3) Airsure, Do 6½pc Pf., INSCE COMPOSITE (1) General Accident, INSCE LIFE (2) Legal & General, Transatlantic, INV TRUSTS (31) City of Oxford Zero Pf., Drayton Blue Chip Zero Pf., Drayton Recovery Prfd. Gwth., Electric & General, Fidelity Euro. Values Wts., Fleming Emrg. Mkts. Wts., Fleming Inc. Fldg., Fleming O'seas., For. & Colonial Smllr. Co's, Group Devlpt. Cap., Kleinwort High Inc. Zero Pf., M & G Income Zero Pf., M & G Recovery, Do Zero Pf., Do Pckg. Units, Merlin Intl. Green, Do Units, Murray Ventures, RIT Capital, Do 2½pc Cv. '00, Rights & Issues, Do Inc., St. David's Zero Pf., Scottish Inv Wts., Second Consld., TR Technology Stppd. Pf., Templeton Emrg. Mkts. Do Wts., Throgmorton Dual Inc., Yeoman Zero Pf., MEDIA (1) Haynes Publng., MERCHANT BANKS (2) Schroders, Do NV, MISC (1) Silentnight, OTHER FINCL (6) [illegible], OTHER INDLS (1) Vinten, PACKG, PAPER & PRINTG (4) Bemrose, Low & Bonar, Macfarlane (C), Smith (DS), PROP (6) Bradford, Eng. & Overseas, [illegible], Portland 9½pc Cv '02, MEPC, Peel, Trafford Park, STORES (3) Courts, Etam, GUS A, TEXTS (2) Jacques Vert, Shanl, TRANSPORT (6) British Airways, Do 9¾pc Cv., Dawsongroup, [illegible], Mersey Docks, WATER (3) Cheam, Do B, South Staffs., MINES (2) Beatrix, St Barbara.

NEW LOWS (52). BRITISH FUNDS (2) Exch. 13½pc '94, Exch. 14½pc '94, AMERICANS (1) Woolworth, CANADIANS (1) Inco, BREWERS (1) Greenalls, BUSINESS SERVS (3) Inchcape, RCO, Salvesen (C), CHEMS (4) Caird 7p Pf. '09, Laporte, Wardle Storeys, Yorks., CONTG & CONSTRCN (2) Andrews Sykes, How, McLaughlin & Harvey, ELECTRICALS (1) Neotronics, ELECTRONICS (4) Bezacom, Linx Prntg., Multitone, Pacer Systems, ENG GEN (1) Barry Wehmiller, FOOD MANUF (6) Assoc. Brit. Foods, Dalepak, JLI, Nestle' (Redg), Unilever, Do N/V, FOOD RETAILING (2) Kwik Save, Morrison (Wm), HLTH & HOUSEHOLD (7) AAH, Brit. Bio-Technology, Drew, Glaxo, Haemocell, Medeva, Zeneca, INV TRUSTS (1) First Spanish Wts. '97, MEDIA (2) Chiltern Radio, Princedale, MTL & MTL FORMING (2) Johnson & Firth, Sycamore, MISC (1) Cornwell Parker, MOTORS (1) Dixon, OIL & GAS (1) LASMO, OTHER FINCL (1) Consld. Ala, OTHER INDLS (1) Renishaw, PACKG, PAPER & PRINTG (6) Bowater 7½pc Pf., De La Rue, St Ives, STORES (1) OS, TELE NETWORKS (1) Nthn. Telecom, MINES (1) Malinga Res.

## EQUITY FUTURES AND OPTIONS TRADING

A QUIET morning proved to be the calm before the storm in stock index futures after gloomy signs for the US economy tested investors' nerves, Christine Buckley writes.

Virtually ignoring the midmorning UK money supply figures, dealers reacted actively to pessimistic remarks from the Federal Reserve on the US inflation rate and sold the FT-SE 100 September contract down. Fears were further fuelled by speculation over the possibility of an interest rate rise in the US.

Such a violent reaction proved the poor underlying state of the futures market, according to one trader, who did not expect much promise to be seen before the August bank holiday. Some market watchers fear that the underlying support level of 2,780 for the September contract may soon make an appearance in trading.

The contract greeted the day at 2,858 and enjoyed a brief spell at 2,863 before slipping back. The Fed's remarks pushed it to the day's low of 2,820 at about 3.30pm. A slight rally left it closing at 2,824 after 9,933 contracts traded. It trailed its fair value premium to cash by 1.9 points.

Traded options had a lacklustre day with trade edging up only slightly to 20,879 lots from Monday's total. The FT-SE 100 option took the lion's share, at 8,493 contracts. Of stock options, only British Airways deals exceeded 1,000 lots, reaching 1,261.

## FINANCIAL TIMES EQUITY INDICES

| | July 20 | July 19 | July 16 | July 15 | July 14 | Year ago | * High | * Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary share | 2221.3 | 2234.3 | 2218.8 | 2221.5 | 2220.9 | 1831.0 | 2299.5 | 2124.7 |
| Ord. div. yield | 4.16 | 4.14 | 4.18 | 4.16 | 4.16 | 5.04 | 4.52 | 4.07 |
| Earning yld % full | 4.95 | 4.93 | 4.95 | 4.95 | 4.95 | 7.28 | 6.38 | 4.82 |
| P/E ratio net | 25.85 | 25.99 | 25.84 | 25.88 | 25.86 | 17.35 | 26.57 | 19.40 |
| P/E ratio nil | 23.88 | 24.09 | 23.95 | 23.99 | 23.97 | 16.14 | 24.60 | 18.14 |
| Gold Mines | 221.4 | 224.1 | 224.5 | 221.0 | 225.3 | 96.7 | 239.3 | 90.0 |

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2235.9 | 2235.1 | 2234.5 | 2231.0 | 2224.8 | 2222.8 | 2225.3 | 2225.8 | 2220.8 | 2238.8 | 2217.9 |

| Volume | July 20 | July 19 | July 16 | July 15 | July 14 | Year ago |
|---|---|---|---|---|---|---|
| SEAQ Bargains | 28,087 | 34,743 | 31,036 | 27,170 | 24,453 | 20,485 |
| Equity Turnover(£m)† | - | 1508.7 | 1437.1 | 1439.5 | 1393.8 | 864.1 |
| Equity Bargains† | - | 40,798 | 37,324 | 31,371 | 28,241 | 22,239 |
| Shares traded (mil)† | - | 648.0 | 591.8 | 555.0 | 523.0 | 378.4 |

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

## FT-SE Actuaries Share Indices — THE UK SERIES

| FT-SE 100 | FT-SE MID 250 | FT-A ALL-SHARE |
|---|---|---|
| 2823.9 -19.0 | 3205.0 -6.3 | 1401.27 -7.46 |

| | Jul 20 | Day's change % | Jul 19 | Jul 16 | Jul 15 | Year ago | Dividend yield % | Earnings yield % | P/E Ratio | Xd adj ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2823.9 | -0.7 | 2842.9 | 2833.0 | 2831.7 | 2415.6 | 4.05 | 5.97 | 20.84 | 54.69 | 1016.38 |
| FT-SE Mid 250 | 3205.0 | -0.2 | 3211.3 | 3217.5 | 3225.5 | 2371.5 | 3.77 | 6.08 | 20.36 | 59.74 | 1146.93 |
| FT-SE Mid 250 ex Inv Trusts | 3218.7 | -0.2 | 3225.0 | 3231.7 | 3240.9 | 2384.8 | 3.88 | 6.50 | 19.22 | 61.30 | 1147.88 |
| FT-SE-A 350 | 1414.2 | -0.6 | 1422.2 | 1418.9 | 1419.2 | 1172.7 | 3.99 | 6.00 | 20.73 | 27.15 | 1043.42 |
| FT-SE SmallCap | 1632.46 | ..... | 1633.03 | 1633.45 | 1634.95 | - | 3.48 | 4.27 | 32.82 | 25.36 | 1221.94 |
| FT-SE SmallCap ex Inv Trusts | 1632.67 | ..... | 1633.21 | 1633.53 | 1635.63 | - | 3.68 | 4.71 | 30.73 | 26.76 | 1223.30 |
| FT-A ALL-SHARE | 1401.27 | -0.5 | 1408.73 | 1405.72 | 1406.10 | 1157.21 | 3.96 | 5.89 | 21.21 | 26.59 | 1052.46 |
| 1 CAPITAL GOODS(214) | 1002.12 | -0.4 | 1005.86 | 997.51 | 999.49 | 748.76 | 3.97 | 4.24 | 31.35 | 21.04 | 1176.26 |
| 2 Building Materials(28) | 1056.43 | -0.4 | 1060.65 | 1050.44 | 1054.39 | 793.62 | 4.43 | 3.89 | 38.24 | 21.38 | 1220.59 |
| 3 Contracting, Construction(29) | 922.48 | -0.3 | 925.44 | 923.53 | 926.49 | 682.80 | 3.56 | 1.42 | 80.00† | 14.25 | 1273.70 |
| 4 Electricals(15) | 2999.95 | -0.4 | 3011.02 | 3008.90 | 3021.26 | 2271.62 | 4.50 | 4.92 | 26.08 | 68.90 | 1209.12 |
| 5 Electronics(38) | 2727.12 | -0.5 | 2740.53 | 2703.29 | 2702.67 | 1892.92 | 3.17 | 6.13 | 20.12 | 61.50 | 1193.31 |
| 6 Engineering-Aerospace(7) | 413.69 | -1.2 | 418.75 | 417.87 | 419.98 | 311.91 | 3.57 | ‡ | ‡ | 6.61 | 1428.41 |
| 7 Engineering-General(48) | 582.31 | -0.3 | 584.26 | 580.63 | 578.46 | 469.92 | 3.72 | 6.15 | 20.17 | 11.08 | 1163.19 |
| 8 Metals & Metal Forming(10) | 426.61 | -0.4 | 428.36 | 425.55 | 424.71 | 291.60 | 2.56 | ‡ | ‡ | 6.06 | 1346.13 |
| 9 Motors(20) | 424.07 | +0.1 | 423.75 | 422.51 | 422.48 | 324.52 | 5.13 | 4.40 | 31.82 | 9.86 | 1161.27 |
| 10 Other Industrials(19) | 2097.33 | -0.3 | 2102.93 | 2082.20 | 2091.91 | 1594.33 | 4.30 | 5.43 | 21.98 | 50.05 | 1080.83 |
| 21 CONSUMER GROUP(235) | 1575.02 | -0.6 | 1584.27 | 1583.08 | 1585.50 | 1548.49 | 3.65 | 7.12 | 17.09 | 28.44 | 913.76 |
| 22 Brewers and Distillers(30) | 1841.48 | -0.7 | 1854.92 | 1846.32 | 1845.43 | 1995.79 | 4.00 | 8.43 | 14.35 | 41.62 | 901.47 |
| 25 Food Manufacturing(22) | 1242.60 | -1.6 | 1262.82 | 1259.26 | 1255.90 | 1200.95 | 4.09 | 7.90 | 15.24 | 27.47 | 958.30 |
| 26 Food Retailing(17) | 2749.48 | -1.7 | 2797.09 | 2726.15 | 2681.33 | 2717.33 | 3.40 | 9.41 | 13.19 | 47.61 | 860.46 |
| 27 Health & Household(30) | 3173.92 | +0.7 | 3152.49 | 3229.19 | 3284.39 | 3818.11 | 3.88 | 6.90 | 18.93 | 43.19 | 754.16 |
| 29 Hotels and Leisure(20) | 1333.70 | -0.9 | 1345.39 | 1338.65 | 1335.48 | 1103.05 | 4.46 | 6.33 | 19.76 | 36.08 | 1067.51 |
| 30 Media(33) | 1957.58 | -0.4 | 1965.71 | 1963.56 | 1965.83 | 1496.42 | 2.65 | 5.17 | 23.42 | 26.36 | 1086.86 |
| 31 Packaging and Paper(24) | 817.31 | -0.4 | 820.26 | 816.03 | 814.71 | 729.86 | 3.61 | 5.97 | 20.63 | 13.84 | 1063.18 |
| 34 Stores(39) | 1147.41 | -0.9 | 1157.30 | 1145.45 | 1143.65 | 983.91 | 3.13 | 6.04 | 21.25 | 18.39 | 1003.78 |
| 35 Textiles(20) | 786.07 | ..... | 786.23 | 783.69 | 784.26 | 624.21 | 3.89 | 6.13 | 20.44 | 14.80 | 1070.40 |
| 40 OTHER GROUPS(141) | 1487.93 | -0.1 | 1489.37 | 1487.74 | 1487.53 | 1217.26 | 4.32 | 7.37 | 16.44 | 27.79 | 1054.00 |
| 41 Business Services(27) | 1573.26 | -0.9 | 1587.58 | 1590.19 | 1601.39 | 1289.10 | 2.92 | 7.47 | 15.28 | 21.29 | 1047.40 |
| 42 Chemicals(23) | 1484.24 | -0.2 | 1487.74 | 1481.89 | 1489.98 | 1352.07 | 4.43 | 0.29 | ‡ | 35.15 | 1066.32 |
| 43 Conglomerates(11) | 1438.84 | -0.3 | 1442.91 | 1452.31 | 1446.21 | 1198.13 | 5.32 | 7.56 | 14.91 | 29.85 | 1060.12 |
| 44 Transport(15) | 2909.81 | -0.8 | 2934.31 | 2930.42 | 2900.79 | 2291.92 | 3.97 | 5.22 | 24.19 | 53.82 | 1072.33 |
| 45 Electricity(16) | 1793.18 | +1.1 | 1773.87 | 1764.96 | 1774.51 | 1332.25 | 4.39 | 12.43 | 9.99 | 52.22 | 1179.61 |
| 46 Telephone Networks(4) | 1754.91 | -0.2 | 1758.97 | 1743.60 | 1746.72 | 1381.00 | 3.86 | 5.96 | 20.66 | 8.19 | 1045.06 |
| 47 Water(13) | 3244.18 | +0.6 | 3225.11 | 3267.15 | 3310.82 | 2797.16 | 5.46 | 13.58 | 8.09 | 106.71 | 1032.35 |
| 48 Miscellaneous(32) | 2281.40 | -0.3 | 2297.40 | 2308.78 | 2276.32 | 1974.57 | 4.50 | 7.47 | 15.96 | 49.93 | 944.54 |
| 49 INDUSTRIAL GROUP(590) | 1415.90 | -0.4 | 1421.28 | 1417.81 | 1418.32 | 1242.94 | 3.94 | 6.61 | 18.59 | 26.68 | 1005.97 |
| 51 Oil & Gas(18) | 2405.30 | -0.4 | 2415.78 | 2429.79 | 2428.00 | 1861.06 | 4.55 | 5.81 | 21.80 | 48.05 | 1094.79 |
| 59 "500" SHARE INDEX(608) | 1504.19 | -0.4 | 1509.98 | 1507.65 | 1508.83 | 1303.26 | 4.01 | 6.52 | 18.89 | 28.54 | 1014.98 |
| 61 FINANCIAL GROUP(90) | 1079.91 | -1.3 | 1094.41 | 1088.29 | 1086.96 | 692.43 | 3.94 | 3.46 | 43.10 | 21.70 | 1263.40 |
| 62 Banks(9) | 1460.44 | -2.2 | 1493.47 | 1488.35 | 1486.43 | 926.87 | 3.70 | 4.24 | 32.50 | 28.48 | 1252.00 |
| 65 Insurance (Life)(6) | 2119.06 | -0.7 | 2133.04 | 2098.88 | 2098.69 | 1411.89 | 4.21 | 4.53 | 27.75 | 47.49 | 1232.56 |
| 66 Insurance (Composite)(7) | 699.81 | -1.0 | 706.99 | 698.37 | 692.08 | 448.25 | 4.45 | ‡ | ‡ | 15.60 | 1142.63 |
| 67 Insurance Brokers(10) | 896.48 | +0.5 | 892.38 | 889.37 | 895.41 | 757.94 | 4.04 | 5.60 | 25.33 | 16.62 | 1181.98 |
| 68 Merchant Banks(6) | 687.95 | +0.3 | 686.22 | 681.39 | 682.68 | 438.32 | 3.27 | 6.63 | 18.73 | 12.33 | 1396.92 |
| 69 Property(29) | 930.65 | +0.3 | 927.65 | 927.36 | 923.02 | 571.33 | 4.37 | 4.31 | 30.85 | 18.64 | 1487.97 |
| 70 Other Financial(23) | 396.81 | ..... | 396.74 | 397.14 | 397.78 | 235.38 | 4.19 | 5.49 | 24.40 | 7.06 | 1340.37 |
| 71 Investment Trusts(110) | 1532.65 | -0.2 | 1535.06 | 1535.86 | 1534.59 | 1112.70 | 2.67 | 2.13 | 47.00 | 20.39 | 1163.52 |
| 99 FT-A ALL-SHARE(808) | 1401.27 | -0.5 | 1408.73 | 1405.72 | 1406.10 | 1157.21 | 3.96 | 5.89 | 21.21 | 26.59 | 1052.46 |

### Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2846.2 | 2844.8 | 2842.9 | 2839.2 | 2829.8 | 2828.4 | 2831.1 | 2831.4 | 2821.9 | 2849.0 | 2818.6 |
| FT-SE Mid 250 | 3212.5 | 3214.5 | 3214.0 | 3214.2 | 3207.8 | 3207.8 | 3208.1 | 3207.8 | 3204.4 | 3215.8 | 3203.5 |
| FT-SE-A 350 | 1423.5 | 1423.2 | 1422.4 | 1421.0 | 1416.7 | 1418.2 | 1417.3 | 1417.3 | 1413.3 | 1424.9 | 1412.0 |

Time of FT-SE 100 high: 8.47am low: 3.29pm

### FT-SE Actuaries 350 Industry Baskets

| Hourly | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous close | change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Constrcn | 1798.9 | 1799.2 | 1806.3 | 1806.3 | 1799.4 | 1799.1 | 1799.1 | 1799.1 | 1795.0 | 1795.0 | 1799.2 | -4.2 |
| Health & H | 951.5 | 950.7 | 949.7 | 948.8 | 945.8 | 943.8 | 949.2 | 953.5 | 953.1 | 953.9 | 947.3 | +6.6 |
| Water | 1330.7 | 1331.1 | 1330.3 | 1337.7 | 1336.4 | 1337.2 | 1337.2 | 1335.4 | 1338.4 | 1338.4 | 1330.5 | +7.9 |
| Banks | 1814.5 | 1809.4 | 1804.1 | 1801.5 | 1793.7 | 1792.1 | 1792.6 | 1789.0 | 1773.4 | 1775.1 | 1815.3 | -40.2 |

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.
The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.
 The FT-SE Actuaries Share Indices are audited by The WM Company. CONSTITUENT CHANGE: DELETION: Trafalgar House A. (Converted into Ord.) (43).

## LONDON SHARE SERVICE

### BRITISH FUNDS

| | Notes | Price £ | + or - | 1993 high | 1993 low | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|---|
| "Shorts" (Lives up to Five Years) | | | | | | | |
| Funding 6pc 1993‡‡ | | 100 | ..... | 100¼ | 99¾ | 6.00 | 5.72 |
| Treas 13¾pc 1993‡‡ | | 102¾ | ..... | 106¾ | 101½ | 13.39 | 5.65 |
| 8¼pc 1994 | | 101¾xd | ..... | 102¾ | 101¾ | 8.38 | 5.71 |
| 14½pc 1994‡‡ | | 105¼ | -⅛ | 108¼ | 105¼ | 13.78 | 5.61 |
| Exch 13½pc 1994 | | 108⅞ | -⅛ | 108⅞ | 105⅞ | 12.76 | 5.58 |
| Treas 10pc Ln 1994‡‡ | | 103¾ | ..... | 108¾ | 103¾ | 9.64 | 5.62 |
| Exch 12½pc 1994 | | 107⅞xd | ..... | 110¾ | 107⅞ | 11.68 | 5.61 |
| Treas 9pc 1994‡‡ | | 104⅛ | -⅛ | 105¾ | 103¾ | 8.66 | 5.74 |
| 12pc 1995 | | 108¾ | ..... | 111¾ | 108¼ | 11.03 | 5.81 |
| Exch 3pc Gas 90-95 | | 96½ | ..... | 96¾ | 94 | 3.11 | 4.85 |
| 10¼pc 1995 | | 108 | ..... | 109⅞ | 107⅞ | 9.49 | 5.98 |
| Treas 12¾pc 1995‡‡ | | 114⅞ | -⅛ | 116⅞ | 113⅝ | 11.17 | 6.10 |
| 14pc 1996 | | 117⅝ | -⅛ | 120⅝ | 117⅞ | 11.90 | 6.27 |
| 15¼pc 1996‡‡ | | 122⅞ | -⅛ | 125⅝ | 121¾ | 12.47 | 6.39 |
| Exch 13¼pc 1996‡‡ | | 117½ | -⅛ | 120⅞ | 116½ | 11.28 | 6.37 |
| Conversion 10pc 1996 | | 110⅞ | -⅛ | 111½ | 108⅞ | 9.07 | 6.49 |
| Treas 13¼pc 1997‡‡ | | 120⅞ | -⅛ | 122⅞ | 118¾ | 11.02 | 6.68 |
| Exch 10½pc 1997 | | 112¼xd | -⅛ | 113⅝ | 110⅞ | 9.36 | 6.85 |
| Treas 8¾pc 1997‡‡ | | 107¾ | -⅛ | 108¾ | 105½ | 8.15 | 6.67 |
| Exch 15pc 1997 | | 129⅞ | -⅛ | 132¾ | 127¾ | 11.60 | 6.83 |
| 9¾pc 1998 | | 111⅞ | -⅛ | 112⅞ | 109⅞ | 8.78 | 6.85 |
| Treas 7¼pc 1998‡‡ | | 102⅛ | ..... | 103¼ | 99¾ | 7.10 | 6.71 |
| 7¼pc 1998 A‡‡ | | 102⅛ | ..... | 102¾ | 99¾ | 7.10 | 6.73 |
| 7¼pc 1998 B‡‡ | | 19¾ | ..... | 20⅞ | 19⅞ | 7.09 | 6.69 |
| Treas 6¾pc 1995-98‡‡ | | 100⅞ | ..... | 101 | 97¾ | 6.74 | 6.72 |
| 14pc '98-1 | | 127¼ | ..... | 129½ | 125⅞ | 11.01 | 7.24 |
| Five to Fifteen Years | | | | | | | |
| Treas 15½pc '98‡‡ | | 135¾ | ..... | 138¾ | 133¾ | 11.40 | 7.09 |
| Exch 12pc 1998 | | 120¾ | -⅛ | 122⅝ | 116⅛ | 9.95 | 7.24 |
| Treas 9½pc 1999‡‡ | | 110¾ | +⅛ | 112½ | 108⅞ | 8.57 | 7.08 |
| Exch 12¼pc 1999 | | 122½ | -⅛ | 124¾ | 120⅞ | 10.00 | 7.32 |
| Treas 10½pc 1999 | | 116¾ | -⅛ | 117¾ | 112¾ | 9.09 | 7.19 |
| Conversion 10¼pc 1999 | | 115⅞ | +⅛ | 117¾ | 112⅞ | 8.91 | 7.23 |
| 9pc 2000‡‡ | | 109¾ | +⅛ | 110¾ | 106 | 8.23 | 7.20 |
| Treas 13pc 2000 | | 129⅞ | +⅛ | 131 | 125½ | 10.07 | 7.56 |
| 10pc 2001 | | 114⅞xd | -⅛ | 115¾ | 109¾ | 8.75 | 7.50 |
| 9¾pc 2002 | | 114⅞ | +⅛ | 114¾ | 108⅞ | 8.54 | 7.56 |
| 8pc 2003‡‡ | | 103¾ | +⅛ | 104¼ | 97⅞ | 7.70 | 7.43 |

### BRITISH FUNDS - Cont.

| | Notes | Price £ | + or - | 1993 high | 1993 low | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|---|
| 8pc 2003 A‡‡ | | 103¾ | +⅛ | 104⅛ | 102⅞ | 7.71 | 7.44 |
| 10pc 2003 | | 116¾ | +⅛ | 118¾ | 109⅝ | 8.57 | 7.60 |
| Treas 11½pc 2001-4 | | 121¾ | -⅛ | 122⅞ | 116⅞ | 9.48 | 7.76 |
| Funding 3½pc '99-4 | | 78⅛ | +⅛ | 75⅞ | 67¾ | 4.66 | 6.75 |
| Conversion 9½pc 2004 | | 113⅞ | +⅛ | 113¾ | 105⅞ | 8.39 | 7.70 |
| 9½pc 2005 | | 113⅞ | +⅛ | 113⅞ | 105⅞ | 8.38 | 7.73 |
| Treas 12½pc 2003-5 | | 131¾ | +⅛ | 131¾ | 124⅞ | 9.50 | 7.96 |
| 7¾pc 2006‡‡ | | 99¾ | +⅛ | 100⅛ | 94¾ | 7.75 | 7.76 |
| 8pc 2002-6‡‡ | | 101¾ | +⅛ | 102⅞ | 94⅞ | 7.85 | 7.78 |
| Treas 11¾pc 2003-7 | | 128¼ | +⅛ | 128⅞ | 118¾ | 9.38 | 7.92 |
| Treas 8½pc 2007‡‡ | | 105⅞ | +⅛ | 106⅞ | 97⅞ | 8.03 | 7.79 |
| 13½pc '04-8 | | 139⅞ | ..... | 139⅝ | 131⅞ | 9.71 | 7.97 |
| Over Fifteen Years | | | | | | | |
| Treas 9pc 2008‡‡ | | 110¾ | +⅛ | 110¾ | 101¼ | 8.16 | 7.84 |
| 9pc 2008 D‡‡ | | 31¾ | +⅛ | 31¾ | 29¾ | 8.17 | 7.85 |
| 8pc 2009 | | 101⅞ | +⅛ | 101½ | 92⅞ | 7.89 | 7.82 |
| Conv 8pc Ln 2011‡‡ | | 110½ | +⅛ | 110⅝ | 100½ | 8.14 | 7.89 |
| Treas 9pc 2012‡‡ | | 110¾xd | +⅛ | 110¾ | 100⅞ | 8.14 | 7.90 |
| Treas 5½pc 2008-12‡‡ | | 78½ | +⅛ | 78⅞ | 70¼ | 7.01 | 7.64 |
| Treas 8pc 2013‡‡ | | 100¾ | +⅛ | 100¾ | 93⅞ | 7.94 | 7.91 |
| 7¾pc 2012-15‡‡ | | 98⅞ | +⅛ | 98¾ | 89⅞ | 7.88 | 7.91 |
| Treas 8¼pc 2017‡‡ | | 108½xd | +⅛ | 108¾ | 97⅞ | 8.06 | 7.94 |
| Exch 12pc '13-'17 | | 138¾ | +⅛ | 138¾ | 125¾ | 8.67 | 8.12 |
| Undated | | | | | | | |
| Consols 4pc | | 49⅝xd | +⅛ | 49¾ | 43⅝ | 8.06 | - |
| War Loan 3½pc‡‡ | | 43¾ | +⅛ | 43¾ | 38⅞ | 8.04 | - |
| Conv 3½pc '61 Aft. | | 64⅞ | +⅛ | 64⅞ | 60⅞ | 5.46 | - |
| Treas 3pc '66 Aft. | | 37 | ..... | 37 | 33½ | 8.11 | - |
| Consols 2½pc | | 32⅞ | ..... | 32⅞ | 28⅞ | 7.74 | - |
| Treas. 2½pc | | 31 | ..... | 31½ | 27¾ | 8.06 | - |

### BRITISH FUNDS - Cont.

| Index-Linked | Notes | Price £ | + or - | 1993 high | 1993 low | Yield (1) | Yield (2) |
|---|---|---|---|---|---|---|---|
| | (b) | | | | | | |
| Treas. 2pc '94 | (102.9) | 134½ | ..... | 134¾ | 131⅝ | - | 0.86 |
| 2pc '96 | (67.9) | 197¾ | ..... | 198 | 194¾ | 1.78 | 2.66 |
| 4⅝pc '98‡‡ | (135.6) | 106⅞ | +⅛ | 109⅛ | 105⅞ | 2.20 | 2.85 |
| 2½pc '01 | (78.3) | 167¾ | -⅛ | 167¾ | 159 | 2.71 | 3.09 |
| 2½pc '03 | (78.8) | 163⅝ | -⅛ | 164 | 155 | 2.87 | 3.19 |
| 4⅝pc '04‡‡ | (135.6) | 111⅞ | -⅛ | 111⅞ | 105½ | 2.95 | 3.25 |
| 2pc '06 | (69.5) | 170¾ | -⅛ | 171⅛ | 159¼ | 3.02 | 3.28 |
| 2½pc '09 | (78.8) | 154¾ | +⅛ | 155⅞ | 144 | 3.18 | 3.40 |
| 2½pc '11 | (74.6) | 160⅞xd | +⅛ | 160⅞ | 148¾ | 3.23 | 3.42 |
| 2½pc '13 | (89.2) | 132½xd | +⅛ | 132⅛ | 122⅞ | 3.28 | 3.46 |
| 2½pc '16 | (81.6) | 140¾ | +⅛ | 140¾ | 130¾ | 3.35 | 3.52 |
| 2½pc '20 | (83.0) | 135⅛ | +⅛ | 135⅛ | 124¾ | 3.48 | 3.54 |
| 2½pc '24‡‡ | (97.7) | 112⅞ | +⅛ | 112⅞ | 102⅞ | 3.41 | 3.54 |
| 4⅛pc '30‡‡ | (135.1) | 113½ | +¼ | 113½ | 103¼ | 3.40 | 3.54 |

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to January 1987. Conversion factor 3.945. RPI for November 1992: 139.7 and for June 1993: 141.0.

### OTHER FIXED INTEREST

| | Notes | Price £ | + or - | 1993 high | 1993 low | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|---|
| African Dev 11¼ 2010 | | 127 | +⅛ | 127 | 115⅞ | 8.76 | 8.11 |
| Asian Dev 10¼pc 2009 | | 118¾ | +⅛ | 118¾ | 108¾ | 8.64 | 8.12 |
| B'ham 11½pc 2012 | | 124½ | ..... | 124½ | 114 | 9.24 | 8.85 |
| Ireland Cap 8½pc '10 | | 114⅛ | +⅛ | 115 | 95 | 7.41 | - |
| 9pc Cap 1998 | | 113 | +⅛ | 113⅛ | 97½ | 7.98 | - |
| 13pc '97-2 | | 126⅞ | +⅛ | 126⅞ | 110 | 10.26 | - |
| Hydro Quebec 15pc 2011 | | 151¾ | +⅛ | 151¾ | 139⅞ | 9.90 | 9.12 |
| Leeds 13½pc 2006 | | 137¼ | ..... | 137¼ | 128 | 9.84 | 8.70 |
| Liverpool 3½pc Irred. | | 37¾ | ..... | 38 | 34 | 9.27 | - |
| LCC 3pc '20 Aft. | | 33⅞ | ..... | 34 | 30½ | 8.89 | - |
| Manchester 11½pc 2007 | | 122 | ..... | 122 | 114 | 9.43 | 8.75 |
| Met. Wtr. 3pc 'B' | | 69½ | ..... | 69½ | 63¼ | 4.38 | 7.62 |
| N'wide Anglia 3¾pc 2021 | | 131 | +⅛ | 131 | 117½ | - | 4.46 |
| 4⅛pc IL 2024 | | 126¼ | +¼ | 126¼ | 115½ | - | 4.43 |
| Utd Mex States 16½pc 2008 | | 141¼ | ..... | 141¼ | 132¼ | 11.68 | 11.28 |

Continued on next page

## CROSSWORD

No.8,207 Set by CINEPHILE

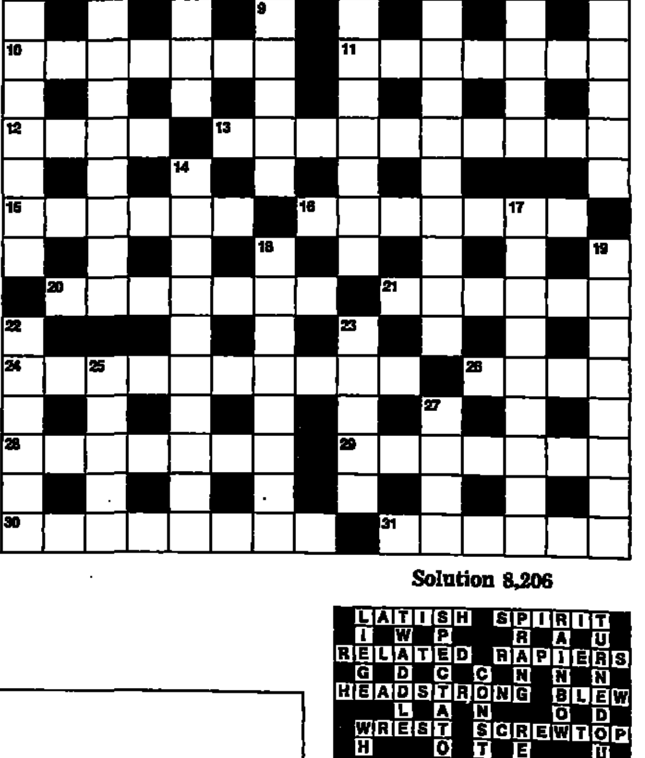
11, 25, 9, 3, 29, 15, 31, 20 and 7 form a series

**ACROSS**

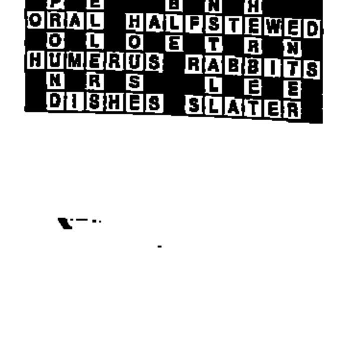
1 Great girl in second union (6)
4 Fought on the junk heap (8)
10 One old country's like another (7)
11 Tube traveller happy about copper (7)
12 Joke about a defensive work (4)
13 Poor Byron in town, absolutely penniless (5-5)
15 Took place on vessel (6)
16 Two Sundays with digital sore (7)
20 Write backward melody over sea (7)
21 Roman general provides backing for pictures at Number Ten (6)
24 Feelings of hunger about six at workshop, where one should put one's foot down (6.4)
26 Game break (4)
28 Believer in God without the New Testament has a chair (7)
29 Supreme god heard to give Israeli Arab bread? (7)
30 Gave up without protest? (8)
31 Upper class was in charge of American heaven (6)

**DOWN**

1 Horse's food for British man turned to wood (4,4)
2 Talk to cloak part of lamp (3,6)
3 War is destructive (4)
5 American Indian company over the Channel? (8)
6 A car is to be used for high-level stunts (10)
7 The underworld as a source of wealth? (5)
8 Unstimulating study of poet (6)
9 Where foxes are cunning – what did you say about that? (5)
14 Indulging in makebelieve before being a nurse? (10)
17 Kentish fowl or part of game for table, many pounds (9)
18 Liqueur I put in before (8)
19 Coin, basic Roman one, for green vitriol (8)
22 Predatory creature starts diving into southern breakwater (6)
23 Instrument with which to censor some jokes (5)
25 Love's meeting-place ending a different way (5)
27 Knocks up a mast or boom, maybe (4)




Solution 8,206




JOTTER PAD

# LONDON SHARE SERVICE

## AMERICANS

| | Notes | Price £ | + or – | 1993 high | 1993 low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|---|
| Abbott Labs | | 16¾xd | +½ | 20¼ | 15⅞ | 14,018 | 2.6 |
| Allegheny & W | ♥ | 625p | — | 652p | 398p | 324.8 | 3.0 |
| Amdahl | | 334p | — | 881p | 302¾p | 376.1 | 0.9 |
| Amer Cyanamid | | 35⅝ | –⅛ | 36⅝ | 31¼ | 3,169 | 2.9 |
| Amer Express | | 21⅜xd | — | 21⅝ | 14⅞ | 10,288 | 3.0 |
| Amer T & T | | 42¼xd | +⅛ | 43 | 33⅛ | 56,853 | 1.9 |
| Ameritech | | 51⅞ | –⅛ | 54½ | 46 | 22,712 | 4.5 |
| BankAmerica | | 28⅞xd | — | 36⅞ | 27½ | 10,438 | 2.9 |
| Bankers NY | | 51¼xd | –½ | 62⅛ | 42⅝ | 4,173 | 3.8 |
| Bell Atlantic | | 38⅛ | +¼ | 39½ | 32¼ | 16,582 | 4.4 |
| BellSouth | | 37½ | +⅜ | 39⅝ | 32⅞ | 18,525 | 4.7 |
| Bethlehem Steel | ♥ | 12⅞xd | –⅛ | 13¼ | 10 | 1,128 | – |
| Bowater | | 1360pxd | –17 | 1662p | 1207p | 488.2 | 1.9 |
| CPC | | 27½xd | –⅛ | 34⅝ | 26 | 4,165 | 2.9 |
| California Engy | | 1234p | — | 1479p | 1066p | 224.7 | – |
| Chase Manhattan | | 21¾xd | –⅛ | 24½ | 17⅞ | 3,395 | 3.5 |
| Chrysler | | 29½xd | –1 | 32⅛ | 21¼ | 8,698 | 1.3 |
| Citicorp | | 21¼xd | –⅛ | 21⅞ | 13⅞ | 7,769 | – |
| Colgate-Palm | | 35⅞xd | –1⅛ | 45⅝ | 35⅛ | 5,618 | 2.6 |
| Cont'l Bank | | 1541p | –43 | 1677p | 1278p | 1,067 | 2.4 |
| Dana | | 36⅞xd | +⅛ | 36⅞ | 29⅞ | 1,883 | 2.7 |
| Data General | | 606p | –12 | 861p | 687p | 168.9 | – |
| Decora Inds | ♥ | 131p | — | 146p | 109p | – | – |
| Dun & Brad | | 39¼ | — | 42⅝ | 37⅛ | 7,084 | 3.9 |
| Eaton | h | 29⅛ | +¼ | 31⅞ | 25⅞ | 2,019 | 2.4 |
| Echlin | | 20¼xd | –⅛ | 20⅞ | 15⅞ | 1,160 | 2.2 |
| FPL | | 25⅞xd | –⅛ | 27⅞ | 23¼ | 4,665 | 6.1 |
| Ford Motor | | 34⅞xd | –⅛ | 36½ | 26⅞ | 16,779 | 1.8 |
| Gen Elect | | 66¼xd | –⅛ | 67⅛ | 53⅞ | 56,560 | 2.4 |
| General Host | ♥ | 595p | –12 | 729p | 513p | – | 4.1 |
| Gillette | | 35⅝xd | –⅛ | 42⅝ | 31⅛ | 7,828 | 1.5 |
| Hasbro | | 20⅞ | — | 20⅞ | 20⅛ | 1,819 | 0.7 |
| Honeywell | | 25⅞xd | –⅛ | 28½ | 20⅞ | 3,468 | 2.2 |
| Houston Inds | | 30⅛ | — | 33¼ | 28⅛ | 3,934 | 6.2 |
| Ingersoll-Rand | | 21⅞xd | –⅛ | 25 | 19⅜ | 2,233 | 2.1 |
| Lockheed | | 45⅞ | +½ | 45⅞ | 35⅛ | 2,768 | 3.0 |
| Loew's | h | 2477p | –49 | 2661p | 1573p | 1,907 | 0.7 |
| Maxwy Technology | | 181p | — | 283p | 127p | – | – |
| Merrill Lynch | | 54¾xd | –⅞ | 57⅞ | 37 | 5,626 | 1.4 |
| Morgan (JP) | | 47⅞xd | –⅛ | 48⅞ | 38⅛ | 6,185 | 3.1 |
| Morris (Philip) | ♣ | 32¼xd | — | 52⅛ | 28⅞ | 29,650 | 5.2 |
| NYNEX | | 60⅛ | –⅛ | 64⅛ | 52¼ | 12,470 | 4.8 |

## CANADIANS

## BANKS

## BREWERS & DISTILLERS

## BUILDING MATERIALS

## BUILDING MATERIALS - Cont.

## BUSINESS SERVICES

## CHEMICALS

## CONGLOMERATES

## CONTRACTING & CONSTRUCTION

## CONTRACTING & CONSTRUCTION - Cont.

## ELECTRICALS

## ELECTRICITY

## ELECTRONICS

## ENGINEERING-AEROSPACE

## ENGINEERING-GENERAL

## ENGINEERING-GENERAL - Cont.

## FOOD MANUFACTURING

## FOOD RETAILING

## HEALTH & HOUSEHOLD

## HOTELS & LEISURE

## HOTELS & LEISURE - Cont.

## INSURANCE BROKERS

## INSURANCE COMPOSITE

## INSURANCE LIFE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

# LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

## INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

## MEDIA

## MERCHANT BANKS

## METALS & METAL FORMING

## MISCELLANEOUS

## MOTORS

## OIL & GAS

## OIL & GAS - Cont.

## OTHER FINANCIAL

## OTHER INDUSTRIALS

## PACKAGING, PAPER & PRINTING

## PACKAGING, PAPER & PRINTING - Cont.

## PROPERTY

## STORES

## TELEPHONE NETWORKS

## TEXTILES

## TRANSPORT

## WATER

## SOUTH AFRICANS

## PLANTATIONS

## MINES

## MINES - Cont.

For Vizcaya see Premier Land under PROPERTIES

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ☘ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension.
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

## FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT5855. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

## FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

## AUTHORISED UNIT TRUSTS

**MW Investment Managers Ltd (0650)F**
46 Court St, Haddington, E. Lothian 062-082 5867

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| MW Joint Investors | 0 | 1172.6 | 1172.6 | 1205.2 | — | 3.7 |

**Maldon Unit Trust Managers Ltd (1400)F**
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031-222 4242

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Maldon General | 0 | 126.0 | 126.0 | 132.6 | — | 4.40 |

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

# FT MANAGED FUNDS SERVICE

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## INSURANCES

## OTHER UK UNIT TRUSTS

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

### Providence Capitol Life Assc. Co Ltd - Contd.

Alpha Pension Funds

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| UK Alpha | 229.0 | | +1.0 | – |
| US Alpha | 121.4 | | -1.1 | – |
| Gilt Alpha | 87.9 | | -0.2 | – |
| Gold Alpha | 95.3 | | -1.7 | – |
| Japan Alpha | 45.2 | | -1.0 | – |
| US Dollar Alpha | 76.1 | | -0.6 | – |
| Yen Alpha | 81.0 | | -1.2 | – |
| DM Alpha | 96.8 | | -0.4 | – |
| European Alpha | 90.0 | | -0.3 | – |

### Provident Life Assoc Ltd

Provident Way, Basingstoke RG21 2SZ 0256 470707

Gold Range (Pensions)

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed Fund | 167.9 | | -0.1 | – |

### Provident Mutual Life Assc. Assn.

8 Hills Way Stevenage Herts SG1 2ST 0438 732000

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed Ord | 419.6 | 441.7 | -1.2 | – |
| Managed Init | 295.9 | 311.5 | -0.9 | – |
| Equity Ord | 622.4 | 655.2 | -1.5 | – |
| Equity Init | 438.9 | 462.0 | -1.2 | – |
| Index Linked Gilt Ord | 197.3 | 207.7 | +0.1 | – |
| Index Linked Gilt Init | 145.3 | 152.9 | – | – |
| Overseas Equity Ord | 340.5 | 358.4 | -2.9 | – |
| Overseas Equity Init | 240.1 | 252.7 | -2 | – |
| Property Ord | 229.4 | 241.5 | – | – |
| Property Init | 161.6 | 170.3 | – | – |
| Fixed Interest Ord | 268.4 | 282.5 | +0.3 | – |
| Fixed Interest Init | 189.3 | 199.3 | +0.2 | – |
| Deposit Ord | 197.3 | 207.7 | – | – |
| Deposit Init | 139.1 | 146.4 | – | – |
| **Pension Funds** | | | | |
| Managed Ord | 554.0 | 583.2 | -2.2 | – |
| Managed Init | 390.7 | 411.3 | -1.5 | – |
| Equity Ord | 848.0 | 892.6 | -2.7 | – |
| Equity Init | 598.0 | 629.5 | -2 | – |
| Pen Ind Lkd Gilt Ord | 224.9 | 236.8 | +0.1 | – |
| Pen Ind Lkd Gilt Init | 165.5 | 174.2 | – | – |
| Overseas Equity Ord | 396.7 | 417.6 | -4 | – |
| Overseas Equity Init | 279.8 | 294.5 | -2.9 | – |
| Property Ord | 293.6 | 309.1 | +0.2 | – |
| Property Init | 207.0 | 217.9 | – | – |
| Fixed Interest Ord | 349.5 | 367.9 | +0.3 | – |
| Fixed Interest Init | 246.5 | 259.5 | +0.3 | – |
| Deposit Ord | 289.2 | 304.4 | +0.1 | – |
| Deposit Init | 203.9 | 214.6 | – | – |

### Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

Prubond

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed Jul 14 | 303.9 | 318.6 | – | – |

### Prudential Corporate Pension Funds

55 King's Road, Reading RG1 3AH 0734 494852

Prudential Managed Funds

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Discretionary Jul 14 | £223.55 | 240.97 | +1.26 | – |

### Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

Life Funds (First Series)

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed | 406.2 | 427.6 | -2.50 | – |
| Equity | 505.7 | 532.4 | -2.50 | – |
| Property | 243.3 | 256.2 | +0.01 | – |
| International | 401.2 | 422.4 | -4.60 | – |
| Japanese | 115.4 | 121.5 | -1.60 | – |
| Asia Pacific | 138.6 | 145.8 | -0.90 | – |
| European | 109.1 | 114.9 | -1.20 | – |
| American | 143.7 | 151.3 | -2.00 | – |
| Fixed Interest | 348.7 | 367.1 | +0.20 | – |
| Index-Linked Gilt | 189.4 | 199.4 | – | – |
| Cash | 220.8 | 232.5 | – | – |
| **Life Funds (Second Series)** | | | | |
| Managed | 113.1 | 119.1 | -0.70 | – |
| Equity | 108.8 | 114.6 | -0.50 | – |
| Property | 102.3 | 107.7 | – | – |
| International | 124.1 | 130.7 | -1.40 | – |
| Japanese | 115.7 | 121.8 | -1.80 | – |
| Asia Pacific | 135.9 | 143.1 | -0.90 | – |
| European | 108.3 | 114.0 | -1.10 | – |
| American | 140.5 | 147.9 | -2.00 | – |
| Fixed Interest | 131.2 | 138.2 | +0.10 | – |
| Index-Linked Gilt | 121.2 | 127.6 | – | – |
| Cash | 109.6 | 115.4 | – | – |
| **Pension Funds** | | | | |
| Building Society | 174.2 | 183.4 | – | – |
| Managed (Init) | 234.3 | 246.7 | -1.90 | – |
| Managed (Acc) | 466.9 | 491.5 | -3.80 | – |
| Equity (Init) | 262.3 | 276.2 | -1.80 | – |
| Equity (Acc) | 522.7 | 550.3 | -1.40 | – |
| Property (Init) | 150.6 | 158.6 | – | – |
| Property (Acc) | 300.2 | 316.0 | +0.14 | – |
| International (Init) | 236.7 | 249.2 | -3.60 | – |
| International (Acc) | 471.6 | 496.5 | -6.60 | – |
| Fixed Interest (Init) | 231.8 | 244.1 | -0.20 | – |
| Fixed Interest (Acc) | 461.9 | 486.3 | -0.20 | – |
| Cash (Init) | 153.9 | 162.0 | – | – |
| Cash (Acc) | 306.6 | 322.8 | – | – |
| **Others** | | | | |
| Capital Guarantee Bond | 98.5 | 103.7 | -0.50 | – |

### Scottish Equitable Life Assc. Soc.

28 St Andrew Sq, Edinburgh 031-556 9101

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Mixed | 227.1 | 239.0 | -1.6 | – |
| UK Equity | 214.3 | 225.5 | -0.6 | – |
| International | 228.5 | 240.5 | -2.4 | – |
| American | 233.8 | 246.1 | -2.6 | – |
| European | 213.3 | 224.6 | -1.3 | – |
| Japan | 243.9 | 256.8 | -3.3 | – |
| Pacific | 316.7 | 333.3 | -3.9 | – |
| Technology | 299.6 | 315.3 | -3.8 | – |
| Fixed Interest | 173.6 | 182.7 | +0.2 | – |
| Indexed Linked | 164.3 | 182.4 | +0.2 | – |
| Foreign Bond/Currency | 222.1 | 233.8 | -1.8 | – |
| Cash | 173.239 | 182.357 | +0.020 | – |
| Ethical | 116.9 | 123.1 | -0.4 | – |

## OFFSHORE INSURANCES

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

## CANADA (SIB RECOGNISED)

## GUERNSEY (SIB RECOGNISED)

## GUERNSEY (REGULATED)(**)

## IRELAND (SIB RECOGNISED)

## IRELAND (REGULATED)(**)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( 071 ) 873 4378 for more details.

**Lloyds Bank (CI) U/T Mgrs.**
PO Box 195, St Helier, Jersey 0534 284242

**Midland Bank Fund Managers (Jersey) Ltd**
PO Box 26, St Helier, Jersey 0534 606000

**Prudential Fund Managers (Jersey) Ltd**
PO Box 103, St Helier, Jersey 0534 70003

**Royal Trust Jsy Fd Mngt Ltd (1400)F**
PO Box 428, St Helier, Jersey 0534 27441

**Standard Bank Fund Mgmt (Jersey) Ltd**
PO Box 583, St Helier, Jersey CI 0534 67557

**Banque Scandinave a Luxembourg SA - Contd.**

**Barclays Diversified Portfolio**
14 rue Aldringen L-1118 352 4799 2830

**Kleinwort Benson Japanese Warrant Fund**
14 rue Aldringen Luxembourg 010 352 4799-1

**Kleinwort Benson Select Fund (u)**
14 Rue Aldringen L-1118 Luxembourg 010 352 47991

**Latin American Mngmt Group Ltd (u)**

**Credit Commercial de France**

**Credit Lyonnais Rouse (Bermuda) Ltd**

**Credit Suisse**

**Rosenberg Management SA (u)**

**Rosenberg US Japan Mngmt Co SA (u)**

**Edmond de Rothschild Group**

## JERSEY (REGULATED)(**)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

## MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Sterling attracts buyers

The pound put up a strong performance yesterday in European currency markets, despite the uncertainty hanging over the government and a mixed batch of economic figures, *writes Stephanie Flanders.*

Sterling made rapid gains against the D-Mark in the morning's trading, reaching DM2.5750 before falling back slightly during the afternoon to close at DM2.5650, still one pfennig higher on the day. At first glance, the pound's strength was surprising, when the possibility of a government defeat over the Maastricht treaty on Thursday and subdued monetary growth figures might have sent the currency the other direction.

Analysts, however, said that sterling was being driven higher by the sense that it was a better investment opportunity than other currencies. The ERM currencies were yesterday again focused on the future prospects for German interest rate cuts while the yen - still overshadowed by Japan's current political vacuum - suffered further losses yesterday due to a larger than expected fall in the country's leading indicators.

In continental Europe, the French franc lost ground once again against the D-Mark, finishing in London at Ffr3.417, one centime below Monday's Ffr3.407. The Italian lira suffered even more against the D-mark, ending at L935.3, down 8 lire on Monday's finish of L926.8.

Although the yen continues to be sidelined by events in Europe, the Japanese currency fell yesterday when the country's index of leading indicators fell from 63.6 to just 30. As a result, the yen fell to Y164.12 against sterling during the afternoon, down from a previous close of Y162.5. It later recovered somewhat to finish at Y162.8.

With the outlook cloudy for Japan and the core European currencies so unattractive, Britain's generally encouraging economic figures of recent week continue to attract dealers to sterling, argue many analysts.

"The sterling exchange rate is determined by the UK markets, not British politics," said Mr Christian Dunis of Chemical Bank in London. "Compared to what is driving most currency movements, House of Commons votes are somewhat esoteric."

For most of the day, the dollar conspicuously failed to gain from tensions in the ERM. But the Chairman of the Federal Reserve's comments to Congress, indicating that the next move in US rates will be up rather than down, took the American currency higher in afternoon trading. The dollar finished at DM1.7090, up nearly half a pfennig on Monday's DM1.7055.

The American unit also recovered against sterling, having fallen as low as $1.51 in the early afternoon. At the end of trading in London, the dollar stood at $1.5015 against the pound, a little below the previous $1.4985.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Jul 20 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Portuguese Escudo | 192.854 | 189.744 | -1.61 | 3.42 | 27 |
| Spanish Peseta | 154.250 | 152.873 | -0.89 | 2.67 | 18 |
| Dutch Guilder | 2.19672 | 2.19390 | -0.13 | 1.88 | 25 |
| Irish Punt | 0.808628 | 0.808102 | -0.07 | 1.82 | 20 |
| D-Mark | 1.94964 | 1.94915 | -0.03 | 1.78 | 26 |
| Belgian Franc | 40.2123 | 40.2530 | 0.10 | 1.65 | 14 |
| Danish Krone | 7.43679 | 7.52550 | 1.19 | 0.55 | -37 |
| French Franc | 6.53883 | 6.65338 | 1.75 | 0.00 | -77 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

### £ IN NEW YORK

| Jul 20 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.5025-1.5035 | 1.4983 1.4993 |
| 1 month | 0.38-0.37pm | 0.40 0.39pm |
| 3 months | 1.07-1.05pm | 1.06 1.04pm |
| 12 months | 3.23-3.15pm | 3.18 3.10pm |

Forward premiums and discounts apply to the US dollar

### POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

### STERLING INDEX

[illegible]

### CURRENCY RATES

[illegible]

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

### CURRENCY MOVEMENTS

[illegible]

### EURO-CURRENCY INTEREST RATES

[illegible]

### OTHER CURRENCIES

[illegible]

### EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

## FINANCIAL FUTURES AND OPTIONS

[illegible]

### OPTION ON LONG-TERM FRENCH BOND (MATIF)

| Strike | Calls August | Calls September | Calls December | Puts August | Puts September | Puts December |
|---|---|---|---|---|---|---|
| 118 | - | 2.35 | 2.45 | - | 0.10 | 0.58 |
| 119 | - | - | 1.75 | 0.03 | 0.22 | - |
| 120 | 0.49 | 0.85 | 1.23 | 0.21 | 0.49 | - |
| 121 | 0.10 | 0.39 | 0.78 | - | 1.05 | - |
| 122 | - | 0.13 | - | - | - | - |
| Open Int | 23,727 | 136,256 | 51,649 | 30,406 | 183,421 | 33,852 |

Estimated volume 15,751 † Total Open Interest 492,571
† All Yield & Open Interest figures are for the previous day.

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6 | Cyprus Popular Bank | 6 | Mount Banking | 6 |
| Allied Trust Bank | 6 | Duncan Lawrie | 6 | NatWestminster | 6 |
| AIB Bank | 6 | Equatorial Bank plc | 6 | Nykredit Mortgage Bnk | 6.5 |
| ●Henry Ansbacher | 6 | Exeter Bank Limited | 7 | ●Rea Brothers | 6 |
| B & C Merchant Bank | 13 | Financial & Gen Bank | 7 | Roxburghe Bank Ltd | 8 |
| Bank of Baroda | 6 | ●Robert Fleming & Co | 6 | Royal Bk of Scotland | 6 |
| Banco Bilbao Vizcaya | 6 | Girobank | 6 | ●Smith & Williamson Secs | 6 |
| Bank of Cyprus | 6 | ●Guinness Mahon | 6 | Standard Chartered | 6 |
| Bank of Ireland | 6 | Habib Bank AG Zurich | 6 | TSB | 6 |
| Bank of India | 6 | ●Hambros Bank | 6 | ●United Bk of Kuwait | 6 |
| Bank of Scotland | 6 | Heritable & Gen Inv Bk. | 6 | Unity Trust Bank Plc | 6 |
| Barclays Bank | 6 | ●Hill Samuel | 6 | Western Trust | 6 |
| Brit Bk of Mid East | 6 | C. Hoare & Co | 6 | Whiteaway Laidlaw | 6 |
| ●Brown Shipley | 6 | Hongkong & Shanghai. | 6 | Wimbledon & Sth West | 7 |
| CL Bank Nederland | 6 | Julian Hodge Bank | 6 | Yorkshire Bank | 6 |
| Citibank NA | 6 | ●Leopold Joseph & Sons | 6 | | |
| City Merchants Bank | 6 | Lloyds Bank | 6 | | |
| Clydesdale Bank | 6 | Meghraj Bank Ltd | 6 | | |
| The Co-operative Bank | 6 | McDonnell Douglas Bk. | 6 | | |
| Coutts & Co | 6 | Midland Bank | 6 | | |
| Credit Lyonnais | 6 | | | | |

● Members of British Merchant Banking & Securities Houses Association

## MONEY MARKET FUNDS

### Money Market Trust Funds

[illegible]

### Money Market Bank Accounts

[illegible]

NOTES - Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.



## MONEY MARKETS

# German rate puzzle

European markets were yesterday awash with speculation about German interest rate cuts, as the Bundesbank offered few clear signals either way, *writes Stephanie Flanders.*

On Monday, many in European money markets were preparing for lower German rates, claiming that the Bundesbank's two-day currency pact led the way for a lower fixed repo rate in this week's tender round. But yesterday the German central bank announced a variable rate repo tender, not the clear signal of future rate cuts which optimists had anticipated.

**UK clearing bank base lending rate
6 per cent
from January 26, 1993**

Analysts are divided about whether German interest rates will fall before the Bundesbank's summer recess. Arguing against are those listening to rumours that German M3 growth in June, to be released some time this week, will have been higher than the 6.6 per cent which most forecasters predicted.

Yesterday morning there were unsubstantiated claims that it would be closer to 7 or even 7.5 per cent, which would make it more difficult for the German central bank to lower rates at next week's council meeting.

Dealers who continue to anticipate a German rate cut claim that the current, relatively high, level of reserves among German banks will ensure that a lower repo rate emerges from this morning's tender: perhaps 7.20 per cent, down from last week's 7.28 per cent. This, they claim, would not rule out an official rate reduction next week.

Renewed ERM concerns took French money market rates back up to the higher levels of last week. French three month money closed at around 7.68 per cent on the bid-side, up nearly 40 basis points on Monday's bid of 7.30 per cent.

In London money markets, analysts reported a general return to economic fundamentals in the pricing of UK instruments. This, they said, was driving the rise of sterling, but would only translate fully into domestic money markets until the outcome of tomorrow's Maastricht vote in the House of Commons is known.

At the short end of sterling markets, overnight money traded at 5¾ per cent for most of the day, and closed at much the same level. The Bank of England more than met a £1.55bn shortage in technical operations in the morning and afternoon.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Jul 20) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 3⅛ | offer 3¼ | bid 3 3/16 | offer 3 7/16 |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK** — Treasury Bills and Bonds

| Lunchtime | | | | | |
|---|---|---|---|---|---|
| Prime rate | 6 | One month | 3.18 | Three year | 4.34 |
| Broker loan rate | 5 | Two month | 3.03 | Five year | 5.05 |
| Fed.funds | 3⅛ | Three month | 3.14 | Seven year | 5.38 |
| Fed.funds at intervention | - | Six month | 3.28 | 10-year | 5.73 |
| | | One year | 3.45 | 30-year | 6.58 |
| | | Two year | 4.08 | | |

| Jul 20 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 7.05-7.20 | 7.15-7.25 | 7.10-7.20 | 7.05-7.15 | 6.80-6.90 | 8.25 |
| Paris | 7½-7⅝ | 7.65-7.95 | - | 7.35-7.65 | - | 6.75 |
| Zurich | 4⅞-5⅛ | 4⅝-4¾ | - | 4 7/16-4 11/16 | - | - |
| Amsterdam | - | - | - | - | - | - |
| Tokyo | 3 7/16-3 5/16 | - | - | - | - | - |
| Milan | 10-10⅛ | 9 3/16-9⅝ | - | 9 5/16-9 7/16 | - | - |
| Brussels | - | 8-8⅛ | - | 7⅜-7½ | - | - |
| Dublin | 6⅛-6¼ | 6 7/16-6 9/16 | 6 7/16-6 9/16 | 6⅜-6½ | 6¼-6⅜ | - |

### LONDON MONEY RATES

| Jul 20 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 6⅛ | 6⅛ | 6 1/16 | 6 1/16 | 6 | 5 15/16 |
| Interbank Bid | 4 | 5⅞ | 5 15/16 | 5 15/16 | 5⅞ | 5 13/16 |
| Sterling CDs | - | - | 5 31/32 | 5 29/32 | 5 13/16 | 5 13/16 |
| Local Authority Deps. | 5½ | 6 | 6 1/16 | 6 1/16 | 6 | 5⅞ |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps | 6 | 5⅞ | - | - | - | - |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Company Deposits, Finance House Deposits, Treasury Bills (Buy), Bank Bills (Buy), Fine Trade Bills (Buy), Dollar CDs, SDR Linked Dep. Offer, SDR Linked Dep. Bid, ECU Linked Dep. Offer, ECU Linked Dep. Bid: [illegible]

[illegible]

### Notice of Meeting

**The European Warrant Fund**
45, rue des Scillas, L-2529 Howald
Grand Duchy of Luxembourg
Luxembourg Registre de Commerce No. B 32792

NOTICE is hereby given that the Annual General Meeting of the Fund will be held at the Registered Office, 45, rue des Scillas, L-2529 Howald, Grand Duchy of Luxembourg on Friday, 30 July 1993 at 16.00 hours.

**Agenda**

1. Submission of the reports of the Board of Directors and of the Auditors;
2. Approval of the financial statements for the year ended 31 March 1993;
3. Discharge of the Directors and the Auditors in respect of their duties carried out for the year ended 31 March 1993;
4. Election of Directors and the Auditors for a term of one year;
5. Declaration of dividend for the period ended 31 March 1993;
6. Miscellaneous business as may properly come before the Meeting;

Resolutions on the agenda of the Annual General Meeting will require no quorum and will be taken at the majority of the shareholders present or represented.
A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a shareholder of the Fund.

By Order of the Board of Directors

### HENDERSON UNIT TRUST MANAGEMENT LIMITED

(Member of IMRO and Lautro)

Announce with effect from 20th July 1993, HENDERSON SPIRIT OF THE EAST TRUST has been merged following an approved Scheme of Amalgamation into HENDERSON ASIAN ENTERPRISE TRUST.

Holders of Henderson Spirit of the East Trust units will receive 0.473559 units in Henderson Asian Enterprise Trust for every unit held.

071 410 4104

# WORLD STOCK MARKETS

## CANADA

TORONTO

Total Sales 10,975,186 shares

## INDICES

### NEW YORK

| DOW JONES | July 19 | July 16 | July 15 | July 14 | 1993 HIGH | 1993 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Industrials | 3535.28 | 3538.39 | 3550.93 | 3542.55 | 3554.83 (27/5) | 3241.95 (20/1) | 3554.83 (27/5/93) | 41.22 (2/7/32) |
| Home Bonds | 107.30 | 107.41 | 107.41 | 107.59 | 107.75 (29/6) | 103.49 (11/1) | 501.87 (27/4/93) | 54.99 (1/10/81) |
| Transport | 1547.57 | 1549.92 | 1541.51 | 1543.62 | 1683.08 (16/4) | 1453.84 (4/1) | 1683.08 (16/4/93) | 12.32 (8/7/32) |
| Utilities | 246.18 | 245.12 | 244.86 | 245.19 | 247.68 (16/4) | 217.14 (8/1) | 247.68 (16/4/93) | 10.50 (8/4/32) |

DJ Ind. Day's High 3563.23 (3571.61) Low 3502.87 (3505.94) (Theoretical♦)
Day's High 3540.59 (3551.77) Low 3524.94 (3525.50) (Actual♦)

### STANDARD AND POOR'S

| | July 19 | July 16 | July 15 | July 14 | 1993 HIGH | 1993 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 446.03 | 445.75 | 449.22 | 450.08 | 456.33 (10/3) | 429.05 (8/1) | 456.33 (10/3/93) | 4.40 (1/6/32) |
| Industrials♥ | 505.86 | 506.20 | 511.35 | 513.31 | 524.99 (10/3) | 486.48 (26/4) | 524.99 (10/3/93) | 3.62 (21/6/32) |
| Financial | 45.65 | 45.39 | 45.53 | 45.22 | 46.67 (13/4) | 39.89 (8/1) | 46.67 (13/4/93) | 8.64 (1/10/74) |
| NYSE Composite | 247.38 | 247.45 | 248.96 | 249.35 | 251.36 (10/3) | 238.21 (8/1) | 251.36 (10/3/93) | 4.46 (25/4/42) |
| Amex Mkt. Value | 433.48 | 436.47 | 437.98 | 438.67 | 440.95 (4/6) | 395.84 (8/1) | 440.95 (4/6/93) | 29.31 (9/12/72) |
| NASDAQ Composite | 695.83 | 699.73 | 708.69 | 712.49 | 712.49 (14/7) | 645.87 (26/4) | 712.49 (14/7/93) | 54.87 (31/10/72) |

| | July 16 | July 9 | July 2 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 2.95 | 2.93 | 2.96 | 3.13 |

| | July 14 | Jul 7 | Jun 30 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 2.52 | 2.58 | 2.51 | 2.68 |
| S & P Indl. P/E ratio | 25.37 | 24.89 | 25.42 | 28.45 |

### NEW YORK ACTIVE STOCKS

| Monday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| IBM | 4,482,200 | 43⅝ | - 2 |
| Merck | 4,178,700 | 32¼ | - 1 |
| YPF Sociedad | 2,702,800 | 19 | - ½ |
| Citicorp | 2,497,400 | 32 | + ¼ |
| Liz Claiborne | 2,305,800 | 22¾ | — |
| Glaxo | 2,082,900 | 15⅝ | - ⅛ |
| Chrysler | 2,051,000 | 44⅝ | - 1 |
| RJR Nabisco | 2,022,300 | 5⅝ | + ⅛ |
| Philip Morris | 1,965,200 | 48⅛ | + ⅛ |
| Motorola | 1,927,000 | 84⅝ | - 1⅞ |

### TRADING ACTIVITY

| † Volume Millions | July 19 | July 16 | July 15 |
|---|---|---|---|
| New York SE | 215.850 | 243.346 | 247.580 |
| Amex | 16.454 | 15.730 | 20.430 |
| NASDAQ | 239.616 | 282.884 | 300.221 |
| NYSE | | | |
| Issues Traded | 2,580 | 2,585 | 2,580 |
| Rises | 864 | 898 | 937 |
| Falls | 1,058 | 1,005 | 989 |
| Unchanged | 668 | 682 | 624 |
| New Highs | 95 | 116 | 116 |
| New Lows | 42 | 30 | 17 |

### CANADA

| TORONTO | July 19 | July 16 | July 15 | July 14 | 1993 HIGH | 1993 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 2828.13 | 2852.17 | 2867.52 | 2937.33 | 3020.48 (2/7) | 2743.31 (21/1) |
| Composite | 3867.74 | 3901.80 | 3931.30 | 3941.70 | 3987.72 (2/7) | 3275.80 (21/1) |
| MONTREAL Portfolio | 1848.54 | 1867.17 | 1877.28 | 1890.17 | 1938.10 (25/6) | 1730.97 (21/1) |

Base values of all Indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

| | July 20 | July 19 | July 16 | July 15 | 1993 HIGH | 1993 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1806.1 | 1798.2 | 1798.8 | 1805.9 | 1808.10 (20/7) | 1495.00 (13/1) |
| All Mining (1/1/80) | 841.5 | 838.3 | 841.4 | 848.1 | 856.70 (12/7) | 584.70 (13/1) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 364.20 | 363.05 | 355.44 | 354.98 | 364.20 (20/7) | 300.25 (14/1) |
| Traded Index (2/1/91) | 903.86 | 898.77 | 877.98 | 876.86 | 903.96 (20/7) | 712.06 (15/1) |
| **BELGIUM** | | | | | | |
| BEL20 (1/1/91) | 1313.21 | 1319.47 | 1327.45 | 1331.53 | 1331.53 (15/7) | 1125.46 (4/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 312.40 | 312.71 | 312.75 | 311.10 | 314.85 (30/6) | 261.80 (4/1) |
| **FINLAND** | | | | | | |
| HEX General (28/12/90) | 1258.1 | 1234.0 | 1222.9 | 1238.5 | 1258.10 (20/7) | 843.10 (22/1) |
| **FRANCE** | | | | | | |
| CAC General (31/12/81) | 543.16 | 548.85 | 540.35 | 546.06 | 547.37 (30/3) | 471.24 (13/1) |
| CAC 40 (31/12/87) | 1969.44 | 1981.70 | 1974.93 | 1983.06 | 2035.91 (30/3) | 1772.21 (29/1) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 710.52 | 708.24 | 698.99 | 700.43 | 710.52 (20/7) | 598.82 (14/1) |
| Commerzbank (1/12/53) | 2024.4 | 2021.6 | 1994.3 | 1998.4 | 2024.40 (20/7) | 1694.30 (14/1) |
| DAX (30/12/87) | 1838.99 | 1838.29 | 1813.46 | 1807.86 | 1838.99 (20/7) | 1516.50 (13/1) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 6946.81 | 6913.72 | 6925.22 | 6978.54 | 7447.24 (27/5) | 5437.80 (4/1) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | 1639.81 | 1635.56 | 1635.12 | 1639.76 | 1639.81 (20/7) | 1191.19 (11/1) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 561.74 | 555.13 | 556.41 | 554.57 | 561.74 (20/7) | 446.33 (6/1) |
| MIB General (4/1/93) | 1238.0 | 1223.0 | 1225.0 | 1222.0 | 1238.00 (20/7) | 992.00 (11/1) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 20038.00 | 20150.92 | 20331.53 | 20158.02 | 21076.00 (3/6) | 16287.45 (25/1) |
| Tokyo SE (Topix) (4/1/68) | 1634.63 | 1644.68 | 1652.88 | 1639.68 | 1678.13 (3/6) | 1250.06 (25/1) |
| 2nd Section (4/1/68) | 2240.58 | 2250.52 | 2252.93 | 2248.50 | 2384.97 (7/6) | 1651.72 (26/1) |
| **MALAYSIA** | | | | | | |
| KLSE Composite (4/4/86) | 745.90 | 742.50 | 735.78 | 714.23 | 746.29 (11/6) | 614.28 (13/1) |
| **NETHERLANDS** | | | | | | |
| CBS Tt.Rtn.Gen.(End 1983) | 549.7 | 353.2 | 352.6 | 351.3 | 549.70 (20/7) | 295.70 (4/1) |
| CBS All Shr (End 1983) | 229.5 | 231.7 | 231.4 | 230.5 | 232.50 (12/7) | 198.60 (13/1) |
| **NORWAY** | | | | | | |
| Oslo SE (Ind) (2/1/83) | 851.92 | 848.92 | 855.03 | 855.91 | 856.66 (14/7) | 669.93 (27/1) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 1650.77 | 1621.70 | 1615.06 | 1624.07 | 1654.39 (5/5) | 1270.68 (4/1) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore (2/4/75) | 446.28 | 445.73 | 444.51 | 442.03 | 468.48 (31/5) | 334.10 (13/1) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1875.0♥ | 1928.0 | 1901.0 | 1907.0 | 2092.00 (7/7) | 775.00 (5/1) |
| JSE Industrial (28/9/78) | 4579.0♥ | 4608.0 | 4633.0 | 4631.0 | 4719.00 (6/7) | 4033.00 (19/4) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | 749.88 | 749.38 | 759.17 | 762.40 | 777.25 (9/6) | 605.93 (6/3) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 258.11 | 257.85 | 258.11 | 259.31 | 264.82 (23/6) | 215.80 (4/1) |
| **SWEDEN** | | | | | | |
| Affarsvariden Gen. (1/2/37) | 1165.7 | 1152.1 | 1148.0 | 1144.9 | 1155.70 (20/7) | 879.10 (28/1) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 1009.0 | 1028.6 | 1033.4 | 1034.7 | 1046.80 (13/7) | 904.80 (11/1) |
| SBC General (1/4/87) | 796.9 | 815.3 | 820.1 | 821.6 | 827.90 (13/7) | 678.70 (11/1) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | 3907.84 | 3917.81 | 3914.04 | 3969.17 | 5013.28 (7/4) | 3088.43 (9/1) |
| **THAILAND** | | | | | | |
| Bangkok SET (30/4/75) | 891.22 | 898.91 | 895.36 | 880.05 | 898.44 (25/1) | 818.84 (1/6) |
| **WORLD** | | | | | | |
| M.S. Capital Intl.(1/1/70) $ | 565.6* | 567.6 | 568.2 | 568.7 | 576.30 (3/6) | 486.60 (13/1) |
| Euro Top-100 (26/6/90) | 1032.09 | 1037.61 | 1033.80 | 1034.07 | 1037.61 (19/7) | 862.73 (13/1) |

**Saturday July 17: Taiwan Weighted Price 3910.49, Korea Comp Ex. 759.17.
♥ Subject to official recalculation.
*Calculated at 15.00 GMT.

### TOKYO - Most Active Stocks
Tuesday, July 20, 1993

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Nikkatsu | 13.8m | 19 | -4 | Towa Bank | 3.2m | 816 | +1 |
| Ushio Incorp | 6.3m | 983 | -19 | Sumitomo Mtl Min | 2.9m | 1,080 | |
| NEC Corp | 3.9m | 1,020 | +10 | Nippon Express | 2.8m | 1,040 | -30 |
| Itochu Corp | 3.3m | 572 | +7 | Kawasaki Steel | 2.5m | 340 | -5 |
| Nippon Steel | 3.3m | 367 | -13 | Hitachi | 2.5m | 876 | -7 |

*4 pm close July 20*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1993 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 14 5/8 | 11 1/2 | AAR Corp | 0.48 | 3.6 | 675 | 240 | 13 5/8 | 13 1/4 | 13 1/2 | +1/4 |
| 28 3/8 | 20 | A L Labs A | 0.18 | 0.7 | 44 | 29 | 25 3/4 | 25 1/2 | 25 5/8 | -1/8 |
| 63 7/8 | 54 5/8 | AMP Inc | 1.60 | 2.7 | 21 | 921 | 60 1/4 | 59 3/4 | 60 1/4 | +3/8 |
| 72 3/4 | 55 1/2 | AMR | | | 9 | 6666 | 63 5/8 | 61 7/8 | 63 5/8 | +2 3/8 |
| 2 3/4 | 1 3/4 | ARX | | | 14 | 20 | 2 3/8 | 2 3/8 | 2 3/8 | -1/8 |
| 51 1/2 | 29 7/8 | ASA | 2.00 | 4.3 | 30 | 468 | 47 1/4 | 46 1/2 | 46 3/4 | -5/8 |
| 30 3/4 | 22 5/8 | Abbott Lab | 0.68 | 2.7 | 16 | 11459 | 25 3/4 | 25 | 25 5/8 | +5/8 |
| 12 5/8 | 10 1/4 | Abitibi Pr | 0.50 | 5.0 | 4 | 17 | 10 1/8 | d10 | 10 | -1/4 |
| 14 1/8 | 8 1/4 | Acptncain | | | 235 | 346 | u14 1/4 | 14 | 14 1/8 | +1/8 |
| 32 | 25 1/2 | ACE Ltd | 0.40 | 1.4 | | 299 | 29 3/8 | 29 1/8 | 29 1/4 | |
| 12 | 10 3/4 | ACM Gvt In x | 0.95 | 8.1 | | 339 | 11 7/8 | 11 3/4 | 11 7/8 | |
| 10 | 9 1/8 | ACM GvOpp x | 0.80 | 8.1 | | 40 | 9 7/8 | 9 3/4 | 9 7/8 | +1/8 |
| 9 5/8 | 8 3/4 | ACM Gvt Sp | 0.80 | 8.3 | | 673 | u9 3/4 | 9 1/2 | 9 5/8 | |
| 11 1/2 | 10 1/2 | ACM Gvt Se | 0.96 | 8.3 | | 1420 | u11 5/8 | 11 3/8 | 11 5/8 | +1/4 |
| 11 5/8 | 9 5/8 | ACM Man x | 1.08 | 9.4 | | 252 | 11 1/2 | 11 3/8 | 11 1/2 | |
| 9 5/8 | 8 5/8 | ACM Mamgd x | 0.72 | 7.9 | | 66 | 9 1/4 | 9 1/8 | 9 1/8 | -1/8 |
| 12 3/8 | 7 3/4 | Acme Cleve | 0.40 | 3.4 | 15 | 94 | 11 7/8 | 11 3/4 | 11 7/8 | |
| 9 1/4 | 6 1/2 | Acme Elect | | | 254 | 10 | 7 5/8 | 7 5/8 | 7 5/8 | |
| 24 3/4 | 18 3/8 | Acordia | 0.44 | 1.9 | 13 | 45 | 22 5/8 | 22 3/8 | 22 5/8 | +1/4 |
| 16 | 10 3/8 | Acuson | | | 13 | 496 | 12 1/4 | 11 3/4 | 12 1/4 | +1/2 |
| 22 1/4 | 19 5/8 | Adams Expr | 0.48 | 2.3 | 1 | 78 | 20 1/2 | 20 1/2 | 20 1/2 | +1/8 |
| 66 | 45 1/2 | Ad Micro | 3.00 | 5.5 | | 55 | 54 1/4 | 53 1/8 | 54 1/4 | +1 1/8 |
| 32 3/4 | 17 5/8 | Ad Micro P | 3.00 | 12.2 | 9 | 8849 | 24 5/8 | 23 1/4 | 24 5/8 | +1 3/8 |
| 7 3/4 | 6 1/2 | Advest Grp | 0.16 | 2.7 | 10 | 8 | 6 | 6 | 6 | |
| 24 3/4 | 18 | Advo Inc | 0.08 | 0.4 | 19 | 259 | 18 1/8 | d17 7/8 | 18 | -1/8 |
| 48 3/8 | 41 1/8 | Aegon ADR | 2.95 | 6.5 | 9 | 158 | 45 5/8 | 45 1/8 | 45 3/8 | -1/2 |
| 58 3/4 | 43 3/8 | Aetna Ll | 2.76 | 4.7 | 149 | 1543 | 58 5/8 | 57 3/4 | 58 3/8 | -1/4 |
| 14 1/2 | 11 1/2 | Ahl A | 0.26 | 1.9 | 32 | 2935 | 14 | 14 | 14 | |
| 32 1/4 | 26 1/2 | Aflac | 0.40 | 1.4 | 15 | 596 | 29 5/8 | 29 1/4 | 29 1/4 | -1/2 |

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Continued on next page

*4 pm close July 20*

# NYSE COMPOSITE PRICES

Continued from previous page

| 1993 High | Low | Stock | Div | Yld. % | P/ E | Sls 100s | High | Low | Close Quote | Chg'e Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **- S -** | | | | | | | | |
| 22 | 15½ | S Anita Rt | 1.38 | 7.8 | 17 | 129 | 17⅝ | 17¼ | 17⅜ | -¼ |
| 20¾ | 15¾ | SCOR US Cp | 0.32 | 2.0 | 204 | 19 | 16⅜ | 16⅝ | 16⅜ | |
| 28¼ | 20 | SPS Techno | 1.28 | 4.5 | 20 | 13 | u28⅜ | 28 | 28⅜ | +⅜ |
| 14½ | 12⅞ | Sabine Rlt x | 1.77 | 13.4 | 9 | 70 | 13¼ | 13⅛ | 13¼ | |
| 13⅜ | 6⅞ | Safecard | 0.20 | 1.5 | 12 | 371 | 13½ | 13 | 13 | -⅝ |
| 23½ | 16⅞ | Safeg'd Sc | | | 9 | 80 | 19⅜ | 18¾ | 19¼ | |
| 24¾ | 16¾ | SafetyKln | 0.36 | 2.2 | 25 | 1284 | 16¾ | 16⅜ | 16⅜ | -¼ |
| 17⅝ | 10⅞ | Safeway | | | 27 | 2718 | 17½ | 17⅛ | 17⅜ | -⅛ |
| 3⅞ | 2 | SafewayWr96 | | | | 276 | 3¾ | 3⅜ | 3¾ | |
| 44½ | 37½ | StJoePaper | 0.20 | 0.5 | 100 | 96 | 42⅜ | 41⅞ | 42 | -⅛ |
| 37¾ | 31 | StJoeL&P | 1.76 | 4.8 | 14 | 10 | 36¾ | 36½ | 36¾ | +¼ |
| 86¾ | 75 | St Paul's | 2.80 | 3.3 | 13 | 652 | 85⅛ | 83¾ | 83¾ | -1⅜ |
| 11⅜ | 7⅞ | Salant Crp | | | 6 | 110 | 10¼ | 9⅝ | 9¾ | -⅝ |
| 75¼ | 39⅞ | Sallie Mae | 1.20 | 2.8 | 9 | 3032 | 42¼ | 41⅞ | 42⅛ | |
| 13⅞ | 13 | Salomon Br | 0.36 | 2.7 | | 561 | 13½ | 13¼ | 13½ | +⅛ |
| 41⅞ | 34 | SalomonInc | 0.64 | 1.6 | 20 | 4522 | 39¾ | 39¼ | 39⅝ | +½ |
| 28⅞ | 23¼ | SanDgo G&E | 1.48 | 5.6 | 14 | 368 | 26⅜ | 26¼ | 26⅜ | -⅛ |
| 4⅞ | 3½ | SantaFeEDu | 0.40 | 10.3 | 193 | 41 | 4 | 3⅞ | 3⅞ | -⅛ |
| 11⅞ | 9⅛ | SantaFeERs | 0.16 | 1.7 | 937 | 944 | 9⅝ | 9⅜ | 9⅜ | -⅜ |
| 40¾ | 35¾ | SantaFePac | 2.80 | 7.3 | 13 | 25 | 38⅝ | 38⅛ | 38⅛ | -⅝ |
| 18½ | 12¾ | SantaFPac | 0.10 | 0.6 | 19 | 2032 | 17⅝ | 17⅜ | 17½ | -⅛ |
| 31⅛ | 23⅜ | Sara Lee | 0.58 | 2.5 | 17 | 6479 | 23⅞ | d23⅜ | 23⅝ | -⅜ |
| 48½ | 40⅛ | Scana Corp | 2.74 | 5.7 | 15 | 136 | 48⅜ | 48⅛ | 48⅜ | |
| 24⅞ | 21½ | Scecorp | 1.42 | 5.9 | 14 | 2750 | 24⅛ | 23¾ | 24 | +¼ |
| 38⅞ | 23⅞ | ScherérRP | | | 23 | 165 | 28½ | 28⅛ | 28¼ | -⅜ |
| 70⅞ | 51¾ | ScheringPl | 1.80 | 2.7 | 17 | 5897 | 66⅞ | 65¼ | 66⅜ | +1½ |
| 68⅞ | 55⅜ | Sch'berger | 1.20 | 1.9 | 23 | 2235 | 62⅝ | 61⅞ | 62¼ | -¼ |
| 29⅝ | 16½ | Schwab(C) | 0.20 | 0.7 | 16 | 1714 | 27⅞ | 27 | 27⅞ | +⅞ |
| 7¾ | 5⅝ | Schwitzer | | | 28 | 15 | 6⅝ | 6½ | 6⅝ | +¼ |
| 35 | 17¾ | SciensAtIn | 0.12 | 0.4 | 47 | 402 | 30⅛ | 29⅝ | 29⅝ | -¼ |
| 13¼ | 9⅛ | Scotman | 0.10 | 0.8 | 12 | 61 | 12⅛ | 12 | 12 | |
| 41 | 31¾ | ScottPaper | 0.80 | 2.5 | 16 | 1479 | 32⅝ | 31⅞ | 32¼ | |
| 21 | 14¼ | ScuddrNAsF | 0.21 | 1.0 | | 137 | 20⅜ | 20⅛ | 20⅛ | -¼ |
| 9⅞ | 7½ | ScuddrNEuF | 0.16 | 1.6 | | 357 | 9¾ | 9⅝ | 9¾ | +⅛ |

- T -

- U -

- V -

- W -

- X - Y - Z -

# NASDAQ NATIONAL MARKET

*4 pm close July 20*

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

# AMEX COMPOSITE PRICES

*4 pm close July 20*

AMERICA

# Technology sector helps to lift US stocks

## Wall Street

A REVIVAL in the technology sector helped Wall Street to move higher at lunch time yesterday after posting early losses, *writes Karen Zagor in New York.*

At 1pm, the Dow Jones Industrial Average was up 12.01 at 3,547.29 after falling more than 17 points earlier in the day. The more broadly based Standard & Poor's 500 was 1.51 higher at 447.57, while the Amex composite edged 0.06 lower at 433.42, and the Nasdaq composite firmed 5.15 at 700.98. Trading volume on the NYSE was close to 167m shares.

Stocks initially lost ground after Mr Alan Greenspan, chairman of the Federal Reserve, said that inflation was disappointing this year. Although the major indices had turned higher by mid-session, overall market sentiment was mixed and on the big board, declining shares outnumbered those rising by 1,003 to 778.

Most of yesterday morning's share price movements were tied to quarterly results announcements. Shares in Sears, Roebuck, the Chicago-based retailer, soared $4⅛ to $50⅛ on the back of second quarter earnings of $1.51 a share, excluding one-time gains. A year ago the company earned 85 cents a share.

Merck, the world's biggest drugs company, firmed $1⅞ to $33⅞. The company posted operating income of 61 cents a share from 56 cents and said it would cut 2,100 jobs this year, up from a previously announced figure of 1,000.

A number of big US banks posted better credit quality and strong foreign and other trading profits. In spite of improved results, Citicorp eased $⅛ to $37⅛, Nationsbank slipped $⅝ to $49 and Chemical Bank held steady at $39⅞.

In Nasdaq trading, the technology sector turned higher after several days of being battered by Apple Computer's weak third quarter performance. Shares in Apple, which have fallen sharply since late last week, added $1⅞ to $27½. The sector picked up after BMC Software unveiled strong first quarter earnings late Monday. Shares in BMC jumped $5 to $55½. Also in the sector, Microsoft added $¾ to $80½, Intel firmed $1⅛ to $52 and Lotus Development improved $1 to $37.

IBM, however, fell $⅝ to $42⅞ in NYSE trading, reflecting investor concern about the company's dividend and the fear of more restructuring charges.

SHARES were some 3.4 per cent higher at midsession on reports that President Itamar Franco had rejected a bill that would tie monthly wage rises to inflation.

The Bovespa index was up 2,027 at 61,206. This followed a gain of 1.5 per cent in Monday's trade.

## Canada

TORONTO continued its downward trek on soft banking and resources stocks after Monday's weakness. By noon, the TSE 300 index was 3.52 lower at 3,864.22 in volume of 28.6m shares.

EUROPE

# Zurich slips 2 per cent on profit-taking

A WEAK start on Wall Street was a contributory factor to losses on many of the late closing bourses, *writes Our Markets Staff.*

ZURICH finally succumbed to a round of profit-taking after its recent strong run which left the SMI index down 57.9 or 2.4 per cent at 2,324.1, after a day's low of 2,317.3.

The selling pressure built up in the absence of domestic buyers and with many foreign investors now turning their attention elsewhere.

Mr Frederick Hasslauer, of Swiss Volksbank in Zurich, believes that the market could see a further downward correction of around 3 per cent in the next two weeks.

"The market has been strong since the start of the year, with a rise of 15 per cent since the beginning of May," he said. "On the back of that, a 5 per cent correction from the top of the market would be seen as a healthy sign from a chart point of view and by the market."

UBS bearers led the market lower, shedding SFr42 to SFr1,125, while selling by London investors left Nestlé down SFr27 at SFr1,048. Roche certificates continued under pressure, dipping SFr110 to SFr4,895. Brown Boveri continued to buck the trend. A SFr18 rise to SFr857 was attributed to market rumours that a US broker had placed the shares on its buy list.

FRANKFURT inched up to a new high in the official session, but lost it in the post-bourse as the Swiss market fell. The DAX index rose 2.70 to 1,838.99 before an Ibis-indicated 1,826.52 in the afternoon.

Turnover eased from DM9.4bn to DM9.2bn. The worst casualties in the post bourse were, first, shares of which the market had cause to be wary and, secondly, those which had excited speculators and investors over recent days.

Volkswagen saw the adverse ruling it feared in the Spiegel/Lopez case, incorporated Monday's post-bourse weakness to fall DM6.80 to DM351 on the session, and shed another DM4.50 to DM346.50 in the afternoon yesterday. Daimler fell DM13.50 overall to DM679.50.

BASF gained DM3.40 on its Russian and gas pipeline initiatives, and then lost DM4.40 to DM260.50 in the afternoon; in utilities, improved sentiment in Viag, which itself put on DM4.70 to DM412.20, reflected on RWE, which gained DM6.70 to DM412.20; but RWE lost DM4.20 of that after hours.

PARIS followed other bourses lower in the afternoon session after early trading had been lent some support by industrial production data which showed a 0.2 per cent rise in May against a 0.6 per cent decline a month earlier.

The CAC-40 index closed off 13.26 at 1,968.44, after a high of 1,986 and a low of 1,964, in turnover estimated at some FFr2bn.

BSN extended Monday's FFr15 fall as fears continued to develop that branded products mare likely to face aggressive competition from non-brands. The shares closed down FFr10 at FFr842.

In the automotive sector Peugeot dropped FFr15 to FFr618 and Michelin FFr6.10 to FFr168.50; while Euro Disney picked up from its day's low of FFr56.90 as selling developed following the overnight close in New York of its parent, Walt Disney, which fell to a new 1993 low. Euro Disney finally closed off 20 centimes at FFr58.00.

AMSTERDAM fell back sharply in late trading on technical selling and some profit-taking and the CBS Tendency index closed the day off 2.2 or 1.8 per cent at 117.2.

Stocks which had made impressive movements on Monday slipped back, including Nedlloyd, down Fl 2.70 to Fl 39.10, after its 10 per cent gain the day before.

Among other declines, Unilever lost Fl 5.50 to Fl 187.70, DSM Fl 2.20 to Fl 98.00 and Elsevier Fl 2.30 to Fl 135.50.

KLM fell Fl 1.20 to Fl 32.20 and denied reports that merger talks with other European airlines had almost reached an agreement. After the close the airline said that it was to combine all flights to and from the US with Northwest Airlines, its US partner.

MILAN drew strength from the strong performance of Fiat and Generali and the Comit index advanced 6.61 to 561.74.

Rumours of an announcement before the end of the month on an asset sale or international accord helped Fiat L187 ahead to L6,948. Generali put on L331 to L40,200.

Olivetti, L53 or 3 per cent higher at L1,818, remained in demand amid speculation that it will shortly break Sip's mobile telephone monopoly.

Montedison, L65.70 or 11 per cent higher at L656.70, and Ferruzzi, L32.30 or 9 per cent ahead at L381.80, remained volatile after news of the death of the former ENI chairman, Mr Gabriele Cagliari. Montedison is involved in a judicial investigation over its involvement in Enimont, a former joint venture with ENI.

STOCKHOLM remained strong, the Affärsvärlden general index putting on 3.60 to 1,155.70, in spite of further easing in Ericcson B shares, down SKr13 to SKr365.

**FT-SE Actuaries Share Indices** — THE EUROPEAN SERIES

| July 20 Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1234.73 | 1234.58 | 1235.17 | 1235.45 | 1234.38 | 1231.84 | 1228.84 | 1224.85 |
| FT-SE Eurotrack 200 | 1284.71 | 1285.70 | 1285.20 | 1283.10 | 1282.09 | 1282.33 | 1279.75 | 1275.46 |

| | Jul 19 | Jul 16 | Jul 15 | Jul 14 | Jul 13 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1235.43 | 1234.37 | 1229.70 | 1237.14 | 1235.91 |
| FT-SE Eurotrack 200 | 1283.54 | 1281.68 | 1278.79 | 1289.38 | 1279.32 |

Base value 1000 (26/10/90) High/day: 100 - 1236.32; 200 - 1285.78 Low/day: 100 - 1224.51 200 - 1275.07.

# Bolsa looks for signals as Spanish economy recedes

**Tom Burns** gauges the post-election mood

Spain's stock market professionals are making an intense study of the government that Mr Felipe Gonzalez, the newly reappointed prime minister, selected last week.

The Bolsa is looking for government signals that will hint at future interest rate movements and possible fluctuations in the value of the peseta. *Until it is certain that it is reading such messages correctly,* its watchword is extreme caution.

This is understandable. The signals so far are conflicting, while the economic problems are all too clear.

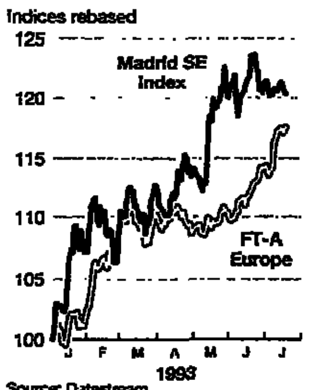
Spain is in recession. Growth estimates for this year vary between zero and minus 1 per cent, and the financial community has clear ideas about what has to be done. Public spending must be stopped in its tracks, it says, unit labour costs must be reduced demonstrably and private sector borrowing must become substantially cheaper.

Next week the national statistics institute will publish its labour force survey for the second quarter of the year. This is expected to show that 107,000 jobs were lost between April and June, raising the unemployment rate by one percentage point to 22.7 per cent and the jobless total to 3.4m. Surgical measures are required to kick start the economy, and the Bolsa into action. Unless the government has shown its hand forcefully by the time these first-half employment figures are published, the peseta could come under pressure.

Already there is widespread dismay over the public deficit. By May it had grown by 24.4 per cent against the first five months of last year and was already close to the total deficit forecast for 1993.

The political situation, however, is fluid. It is not yet clear just how far Mr Gonzalez's new team is willing or able to take the required surgical measures.

The new economy and finance minister, Mr Pedro Solbes, a technocrat and a non-socialist, says he plans an austere budget and so, indeed, does Mr Gonzalez. But the prime minister also says that he wants to maintain social spending at its present levels,



Source: Datastream

and that he wants a social pact with the unions.

The unions, which recently have been negotiating wage increases of more than 6 per cent, at least 1.5 percentage points above inter-annual headline inflation, say they are willing to moderate their wage claims; but in return they will want the government to shelve a planned overhaul of Spain's rigid hiring and firing rules.

Just about the only good news on the economic front is that the recession has hampered imports and narrowed the trade deficit. The January to May accumulated trade deficit was down by 38 per cent compared with the first five months of last year, and it represented 4 per cent of GDP against 6.1 per cent at the end of last year.

Much more good news, nevertheless, is necessary. Calling for government action, market players use macho images: "Now is the time to take the bull by the horns," says one. This means, among other things, recognising that current social spending is unsustainable; and taking on the unions.

Gestemar, the securities arm of the March group, wants "a swift and strong reduction in interest rates to 8 per cent or even lower (down from the current intervention rate of 11 per cent) during the next 12 months". It also wants the peseta to fluctuate within its ERM range, or "even leave the system if necessary".

The "cut and run and go for growth" argument is doing the rounds in Madrid but, so far, it has made little impact among senior policy makers. This is principally because Spain needs to import capital and can ill-afford an over-weakened currency that will raise the cost of its borrowing.

A more likely scenario is a halfway house, in which the government will be more forceful than many in the market currently expect, although less so than they say is necessary.

The budget will be more restrictive than in the past, the unions will be more reasonable and unit labour costs will ease somewhat. Interest rates will come down only very gradually, tracking the Germans, and the peseta, which has remained generally below Pta77 to the D-Mark, could slide towards its central parity of Pta79.11.

In these circumstances some observers think it wise to give the Bolsa a rest for a while. By the end of May, in advance of the political uncertainties and the worsening economic figures, Madrid's market had put on some 20 per cent. At the beginning of this year, this was the gain that most analysts had expected for the whole of 1993.

ASIA PACIFIC

# Political uncertainty upsets Tokyo

## Tokyo

PROLONGED uncertainty over the political situation and tomorrow's trial of Mr Shin Kanemaru, former kingmaker of the Liberal Democratic party, sent share prices lower in tandem with a weak futures market, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed 112.92 down at 20,038.00, having opened at the day's high of 20,123.11 and fallen to the session's low of 19,977.40 in the afternoon.

Volume totalled 240m shares, against 266m. Declines led advances by 697 to 249, with 210 issues unchanged. The Topix index of all first section stocks shed 10.05 to 1,634.63 but, in London, the ISE/Nikkei 50 index rose 0.02 to 1,244.36.

The index was initially depressed by arbitrage linked selling, later losing further ground on profit-taking. Traders said that while prices were supported by hopes of credit easing, weak fundamentals kept the index from rising above the 21,000 level.

Calls for the resignation of Mr Kiichi Miyazawa, the prime minister, heightened. Mr Junichiro Koizumi, stepped down from his post as minister of post and communications yesterday, adding pressure on Mr Miyazawa to resign.

A fund manager at Nippon Life, the leading life assurer, said that it was not the time to increase exposure to stocks. "The elections left us with a vague uncertainty, especially over the course of the economy," he added.

Brokerage houses declined, with the sector falling 1.4 per cent, due to prospects of weaker profits in light of the equity market's recent low activity. Nomura Securities retreated Y50 to Y2,030.

Profit-taking depressed stocks which were higher early in the week on reports of the listing of DDI, a new telecom company. Ushio dropped Y19 to Y963 and Kyocera lost Y160 to Y6,300. However, trading companies with links to DDI firmed, with Itochu rising Y7 to Y572 and Mitsubishi gaining Y10 at Y1,070.

Hazama, the construction concern, fell Y19 to Y457 as the company was implicated in another bribery scandal.

Nikkatsu, the bankrupt movie producer and distributor, was the day's most active issue, falling Y4 to Y19.

In Osaka, the OSE average lost 137.00 to 22,226.56 in volume of 23.3m shares. Ono Pharmaceutical fell Y50 to Y5,550.

## Roundup

PACIFIC Rim markets experienced mixed fortunes.

HONG KONG rebounded after early weakness and the Hang Seng index was finally 33.09 up at 6,846.81 as local, Japanese and US demand picked up on expectations of positive results from the current round of Sino-British talks.

AUSTRALIA pushed forward through the 1,800 level, led by strong advances by BHP and CRA. The All Ordinaries index ended 9.9 higher at 1,806.1 in turnover of A$319.6m. BHP rose 20 cents to A$14.68, while CRA added 24 cents at A$13.60.

TAIPEI edged down in turnover that shrank to its lowest level since January. The weighted index finished 9.97 lower at 3,907.84 amid concern about the economy and political tensions ahead of the ruling Nationalist party's congress in August.

MANILA blue chips advanced to catch up with the strong performance of secondary issues, and the composite index rose 29.07, or 1.8 per cent, to 1,650.77.

SEOUL was again restrained by the labour disputes at Hyundai and the need for financial institutions to meet by-monthly reserve requirements tomorrow, but the composite index managed a 0.5 improvement to 749.88.

## SOUTH AFRICA

EQUITIES finished near their day's lows as a weaker bullion price affected sentiment. The gold shares index lost 53 to 1,875 and industrials 29 to 4,579. The overall index closed 34 lower at 4,055. De Beers shed 25 cents to R81.75.

# Pakistan equities rise by 2%

KARACHI yesterday recorded one of its biggest gains this year, with the KSE index breaking through the 1,300 level, *writes Farhan Bokhari in Islamabad.*

The index finished 26.69 stronger at 1,307.43 in response to assurances from Pakistan's interim government, led by Mr Moeen Qureshi, the new prime minister, that liberal economic policies would remain on track.

Mr Nasir Ali Shah Bukhari, chief executive of brokers Khadim Ali Shah Bukhari, said the market was picking up because "short-term uncertainties were over" with the ending of the six-month long political crisis.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | MONDAY JULY 19 1993 | | | | | | | | FRIDAY JULY 16 1993 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1993 High | 1993 Low | Year ago (approx) |
| Australia (69) | 138.27 | -0.4 | 136.80 | 94.79 | 122.61 | 135.88 | -0.2 | 3.69 | 138.84 | 139.18 | 94.92 | 124.49 | 136.17 | 144.19 | 117.39 | 141.89 |
| Austria (17) | 153.61 | +2.9 | 151.98 | 105.31 | 136.21 | 136.38 | +1.8 | 1.42 | 149.23 | 149.59 | 102.02 | 133.79 | 133.96 | 153.61 | 131.16 | 157.14 |
| Belgium (42) | 150.73 | +0.9 | 149.13 | 103.32 | 133.65 | 130.84 | -0.4 | 4.37 | 149.44 | 149.80 | 102.15 | 133.98 | 131.38 | 156.76 | 131.19 | 150.52 |
| Canada (108) | 124.42 | -0.9 | 123.10 | 85.29 | 110.31 | 115.18 | -1.0 | 2.92 | 125.52 | 125.83 | 85.81 | 112.53 | 116.30 | 130.38 | 111.41 | 129.31 |
| Denmark (33) | 215.26 | +1.9 | 212.97 | 147.57 | 190.86 | 192.49 | -0.2 | 1.17 | 211.27 | 211.79 | 144.44 | 189.42 | 192.95 | 225.64 | 185.11 | 237.14 |
| Finland (23) | 97.76 | +2.3 | 96.72 | 67.02 | 86.69 | 118.18 | +1.1 | 1.03 | 95.52 | 95.75 | 65.30 | 85.64 | 116.86 | 100.92 | 65.50 | 78.52 |
| France (97) | 152.75 | +1.7 | 151.13 | 104.71 | 135.43 | 139.22 | +0.3 | 3.29 | 150.16 | 150.53 | 102.65 | 134.62 | 138.86 | 167.36 | 142.72 | 156.82 |
| Germany (60) | 117.03 | +2.3 | 115.78 | 80.24 | 103.76 | 103.76 | +1.1 | 2.05 | 114.46 | 114.73 | 78.25 | 102.61 | 102.61 | 117.10 | 101.59 | 125.04 |
| Hong Kong (55) | 274.10 | -1.9 | 271.19 | 187.90 | 243.05 | 272.97 | -1.9 | 3.46 | 279.29 | 279.97 | 190.93 | 250.41 | 278.12 | 301.61 | 218.82 | 251.30 |
| Ireland (15) | 160.92 | +1.2 | 159.21 | 110.31 | 142.68 | 160.24 | +0.0 | 3.44 | 158.99 | 159.38 | 108.69 | 142.54 | 160.19 | 170.40 | 129.28 | 157.46 |
| Italy (70) | 70.07 | +1.0 | 69.32 | 48.03 | 62.12 | 82.70 | +0.3 | 1.96 | 69.36 | 69.53 | 47.42 | 62.18 | 82.42 | 72.82 | 53.78 | 63.18 |
| Japan (470) | 150.64 | -0.8 | 149.04 | 103.27 | 133.59 | 103.27 | -0.5 | 0.80 | 151.80 | 152.16 | 103.77 | 136.11 | 103.77 | 155.96 | 100.75 | 96.32 |
| Malaysia (69) | 332.74 | +0.6 | 329.21 | 228.09 | 295.03 | 329.41 | +0.6 | 2.05 | 330.86 | 331.66 | 226.18 | 296.63 | 327.54 | 349.34 | 251.68 | 244.98 |
| Mexico (19) | 1550.15 | +0.0 | 1533.69 | 1062.67 | 1374.49 | 5293.86 | +0.0 | 0.93 | 1550.67 | 1554.43 | 1060.09 | 1390.27 | 5294.80 | 1725.81 | 1410.30 | 1475.25 |
| Netherland (24) | 167.17 | +1.3 | 165.40 | 114.60 | 148.23 | 146.46 | +0.1 | 3.75 | 165.08 | 165.48 | 112.85 | 148.01 | 146.28 | 172.75 | 150.39 | 162.60 |
| New Zealand (13) | 51.62 | -0.3 | 51.07 | 35.39 | 45.77 | 50.14 | +0.1 | 4.45 | 51.77 | 51.90 | 35.39 | 46.42 | 50.07 | 52.94 | 40.56 | 46.76 |
| Norway (22) | 159.47 | +0.2 | 157.78 | 109.32 | 141.40 | 157.47 | -1.1 | 1.68 | 159.23 | 159.61 | 108.86 | 142.76 | 159.28 | 166.21 | 137.71 | 166.16 |
| Singapore (38) | 247.08 | +0.5 | 244.46 | 169.38 | 219.08 | 184.40 | +0.4 | 1.87 | 245.94 | 246.53 | 168.13 | 220.49 | 183.72 | 262.72 | 207.04 | 212.53 |
| South Africa (60) | 207.49 | -0.3 | 205.29 | 142.24 | 183.97 | 205.21 | -0.3 | 2.47 | 208.20 | 208.71 | 142.33 | 186.66 | 205.92 | 211.77 | 144.72 | 205.95 |
| Spain (44) | 120.69 | +1.8 | 119.41 | 82.74 | 107.01 | 121.97 | -0.3 | 4.73 | 118.60 | 118.89 | 81.08 | 106.33 | 122.28 | 132.82 | 115.23 | 139.40 |
| Sweden (36) | 173.25 | +1.7 | 171.41 | 118.77 | 153.62 | 202.87 | +0.3 | 1.66 | 170.30 | 170.71 | 116.43 | 152.69 | 202.25 | 184.06 | 149.70 | 185.50 |
| Switzerland (50) | 128.20 | +0.5 | 126.83 | 87.89 | 113.68 | 119.06 | -0.7 | 1.83 | 127.59 | 127.90 | 87.23 | 114.40 | 119.88 | 129.36 | 108.91 | 109.74 |
| United Kingdom (219) | 173.28 | +1.6 | 171.44 | 118.78 | 153.63 | 171.44 | +0.3 | 4.04 | 170.49 | 170.91 | 116.54 | 152.84 | 170.91 | 181.99 | 162.00 | 183.39 |
| USA (520) | 182.60 | +0.0 | 180.66 | 125.18 | 161.91 | 182.60 | +0.0 | 2.81 | 182.54 | 182.98 | 124.79 | 163.66 | 182.54 | 186.27 | 175.38 | 168.42 |
| Europe (752) | 144.84 | +1.6 | 143.30 | 99.29 | 128.43 | 138.28 | +0.3 | 3.22 | 142.60 | 142.95 | 97.49 | 127.86 | 137.89 | 149.02 | 133.92 | 148.43 |
| Nordic (114) | 164.53 | +1.7 | 162.78 | 112.79 | 145.88 | 168.42 | +0.2 | 1.47 | 161.72 | 162.11 | 110.56 | 144.99 | 168.13 | 171.77 | 142.13 | 173.37 |
| Pacific Basin (714) | 153.76 | -0.8 | 152.13 | 105.41 | 136.34 | 109.48 | -0.5 | 1.08 | 154.94 | 155.31 | 105.92 | 138.91 | 110.04 | 159.07 | 105.89 | 103.09 |
| Euro-Pacific (1466) | 149.99 | +0.2 | 148.39 | 102.81 | 132.98 | 121.63 | -0.2 | 1.93 | 149.76 | 150.13 | 102.37 | 134.26 | 121.87 | 154.05 | 117.26 | 121.43 |
| North America (628) | 178.98 | +0.0 | 177.08 | 122.71 | 158.72 | 178.02 | +0.0 | 2.81 | 178.99 | 179.42 | 122.38 | 160.50 | 178.03 | 182.38 | 171.51 | 165.96 |
| Europe Ex. UK (533) | 126.79 | +1.5 | 125.44 | 86.94 | 112.45 | 118.85 | +0.3 | 2.68 | 124.89 | 125.19 | 85.39 | 111.99 | 118.55 | 128.65 | 112.51 | 127.15 |
| Pacific Ex. Japan (244) | 185.02 | -0.8 | 183.06 | 126.86 | 164.08 | 171.26 | -0.7 | 3.22 | 186.46 | 186.91 | 127.49 | 167.19 | 172.45 | 194.08 | 152.70 | 169.84 |
| World Ex. US (1653) | 150.58 | +0.1 | 148.98 | 103.23 | 133.52 | 123.63 | -0.2 | 1.95 | 150.41 | 150.77 | 102.83 | 134.85 | 123.91 | 154.27 | 118.51 | 123.46 |
| World Ex. UK (1954) | 159.03 | -0.1 | 157.34 | 109.02 | 141.02 | 138.85 | -0.2 | 2.10 | 159.15 | 159.53 | 108.80 | 142.70 | 139.09 | 161.34 | 134.22 | 133.36 |
| World Ex. So. Af. (2113) | 160.08 | +0.1 | 158.38 | 109.75 | 141.95 | 141.37 | -0.1 | 2.28 | 159.94 | 160.33 | 109.35 | 143.41 | 141.54 | 162.74 | 137.29 | 137.27 |
| World Ex. Japan (1703) | 167.37 | +0.5 | 165.60 | 114.75 | 148.43 | 163.26 | +0.0 | 2.95 | 166.59 | 166.99 | 113.90 | 149.38 | 163.19 | 170.05 | 157.47 | 160.74 |
| The World Index (2173) | 160.30 | +0.1 | 158.60 | 109.90 | 142.15 | 141.90 | -0.1 | 2.28 | 160.17 | 160.56 | 109.50 | 143.61 | 142.08 | 162.86 | 137.32 | 137.68 |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